

OUTING THE OLIGARCHY

BILLIONAIRES WHO BENEFIT
FROM TODAY'S CLIMATE CRISIS



A Special Report by

THE INTERNATIONAL FORUM ON GLOBALIZATION (IFG)

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THE INTERNATIONAL FORUM ON GLOBALIZATION (IFG),
founded in 1993, is a nonprofit, nonpartisan, global research and educational center
composed of leading activists, authors, economists, and scholars providing critical
analyses of the cultural, social, political and ecological impacts of economic
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INDIVIDUALS OF UNDUE INFLUENCE



VICTOR MENOTTI

Why “Outing the Oligarchy”

The purpose of this report is to call public attention to the ultra-rich individuals who benefit most from—and are most responsible for—the deepening climate crisis that is destabilizing global ecosystems and devastating the lives of the planet's most vulnerable peoples. Today's single biggest threat to our global climate commons is the group of billionaires who profit most from its pollution and, in turn, push government policies that promote more fossil fuels.

IFG is releasing this report as two important global debates intensify, yet the links between them are rarely drawn. The report aims to connect some of the dots that show a pattern of power relationships dominating both deadlocked debates which together could help illuminate ways forward for change on all fronts. Globalization has shifted financial wealth and political power upward to a group of Ultra High Net-Worth Individuals, so “Outing the Oligarchy” aims to inform both the climate community and the Occupy movement by “following the money” to the very top.

The first debate is in the drive for an urgently needed global climate deal in Durban, South Africa, under the United Nations' Framework Convention on Climate Change's COP 17, which is currently at an impasse due to the United States' having no national mandate to conclude a multilateral agreement since its Congress is so severely corrupted by corporations and capitalists who profit from fossil fuels. Yet the role of the energy oligarchs in the current impasse is all but invisible, even as they play one government against another to hold the entire world hostage to a dead-end addiction to fossil fuels. As a result, President Obama's climate negotiators are not only running away from their responsibilities as official talks resume but they are leading an unbelievable and unnecessary backtracking from core commitments in the climate Convention made by previous presidents Bill Clinton, George Bush and George W. Bush.

The second debate—ignited by the Occupy Wall Street movement—revolves around the power of private wealth and its corruption of governments. In the U.S., where financial fraud has further enriched a few big banks and billionaires (while robbing millions of Americans of their savings, jobs and homes), citizens are incensed by Washington's rush to bail out corporations and capitalists deemed "too big to fail." As Occupy movement energy shifts to new strategies after its eviction from public spaces, there is a need to align global activists' attention around those at the very top who benefit most from, and are therefore most responsible for, today's converging global crises in finance, food, fuel, and other areas. Within the “one percent” is a global elite whose wealth and power uniquely positions them to either be part of the problem or part of the solution, and all of humanity is needed to help peacefully persuade these people in power to democratically transition today's crises into genuine justice and sustainability.

Occupy and Oligarchy

Critical discussion of the influence of the fossil fuels oligarchs has long been missing from the debate, despite the decisive role these individuals and their companies have played in both creating the crisis and blocking solutions that could usher in an economic recovery—one based on clean energy security, with green jobs for hi-tech design engineers, rust-belt workers and inner-city communities of color.

Despite the urgent need for new commitments to reduce greenhouse gas emissions, there is little promise for meaningful progress until we address today's extreme concentrations of wealth and power that have corrupted any prospect of democratic decision-making. Climate negotiators know that they are not calling the shots; rather, they are all restrained by political pressure from the very people who profit most from polluting our planet.

It is our hope that this report results in increased scrutiny of these wealthy individuals—with attention focused on their massive investments in fossil fuel assets and, especially in the case of the United States, their financing of political activities that undermine democracy in the pursuit of short-term profits. In a desperate attempt to wring out the last dregs of fossil-fuel profit from a depleted planet, the oligarchs of gas, coal and oil are pushing the limits by resorting to increasingly costly, dirty and risky forms of exploitation—from tar sands and "fracking" to mountaintop removal and deep-sea drilling. Cooperative global action to address the most daunting challenge humanity has ever faced is being held hostage by a handful of profiteers who wield decisive power over our governments.

Why are billionaires spending their wealth to block the phasing out of fossil fuels?? Because they have billions of accumulated assets and future profits at risk; spending a few hundred million to obfuscate science and obstruct policy change is a cheap investment compared to what they could lose if climate action advances.

“Oligarchy,” is a term rarely heard in political debates in democracies, has recently become useful in explaining the power dynamics that drive current decision-making. While we often think of oligarchs as corrupt kings from a bygone age, it is now an accurate and appropriate term to describe today's political reality of “rule by the rich.” According to Dr. Jeffrey Winters, author of the 2011 book, *Oligarchy*, wealth in the U.S. today remains "two times as concentrated as imperial Rome, which was a slave-and-farmer society. That's how huge the gap is." In addition, there have been no real income gains for the average American household since 1970.¹

“Outing the Oligarchy” is the first in a series of planned reports, online communications tools, public education events and strategy sessions that comprise IFG's new Wealth and Power Program, which is designed to call public attention to the Ultra-High Net-Worth Individuals who dominate today's economic system and profit from its unacceptable exploitation of people and the planet.

Why Now

IFG initiated this report after spending three years engaged in intensive efforts with grassroots groups and like-minded governments worldwide to shape a progressive U.S. approach to the UN Climate Convention—one that guarantees the concerns of poor countries and communities are incorporated into the outcome of any global climate deal.

Unfortunately, while the 2010 Cancun Agreements produced some small steps that could potentially protect people in the Global South (including establishing accountable mechanisms for financial flows and technology transfer and as well as new protocols to protect Indigenous rights), many of Cancun's promises have yet to be delivered. Meanwhile, the world moved several steps backward when the Cancun summit adopted the Obama Administration's proposal to make carbon-emission reductions "voluntary," thereby undermining the core purpose of the convention. The world had been waiting for the U.S. to join the global community in committing to cut its carbon emissions. Instead, all governments (with the exception of Bolivia) agreed to let each other off the hook by effectively allowing everyone's emissions to rise.

Despite having elected a president who pledged to "protect the planet in peril" and a congressional leadership that seemed committed to act, it was not enough to counter the influence of fossil fuels billionaires like David and Charles Koch, whose political contributions to defeat climate legislation are believed to have exceeded those of the American Petroleum Institute (Big Oil's own lobbying group) and Exxon (the country's largest oil company). The fact that the U.S. could not deliver politically on its "fair share" of a global agreement should force climate campaigners to deal more directly with the well-financed forces favoring fossil fuels. By "following the money," IFG's research into the real roadblocks to progress reveals sophisticated "influence networks" financed largely by a few billionaires at the very top of the fossil fuels empire.

What's in this Report

Our report begins by profiling some of the world's wealthiest individuals, chosen for their: 1) ranking on *Forbes'* list of the World's Billionaires; 2) investments and holdings in fossil fuels; and 3) influence networks that block the transition from fossil fuels to clean, renewable energy alternatives. See more below on our methodology.

Our report ends with an original essay, "Four Arguments Against Extreme Concentration of Wealth," that examines some of the most common reasons why people accept these shadowy oligarchs as the arbiters of our lives. Read this report if you think people with fabulous wealth deserve it because they simply "worked harder" or "were smarter" than their competitors. Countering such misconceptions is essential to puncturing their legitimacy. Beyond blasting the billionaires, it also shows ways forward with a series of steps to tackle the systemic issues driving both economic inequality and ecological unsustainability.

Make No Mistake Who is Most Responsible

Although we use a global list, our intended audience is primarily American. That's because the global climate crises—just like today's converging global crises in finance, food, water and other areas—is blocked by Washington and a political system corrupted and controlled by the ultra-rich.

True, an increasing number of wealthy Americans now understand the climate crisis to be quite real and many are moving their money because they see promising business opportunities, but these investments are overshadowed by the billionaire Koch Brothers, whose combined wealth (\$50B) makes the third richest in the world after Carlos Slim and Bill Gates. The Kochs have spent millions over the past 30 years to build a sophisticated influence network that now shapes almost all aspects of government policymaking, especially in energy. Koch cash supports a sort of "full spectrum dominance" over America's democratic processes by

financing think tanks, media manipulators, fake grassroots groups (“astroturf”), and, increasingly, legislators, regulators and judges at every level of government,. By contributing lavishly to the electoral campaigns of like-minded candidates, the Kochs have captured a considerable hold on Congress, where they continue to be top contributors to politicians who sit on the key congressional committees for energy and resources. The Kochs are known to have bankrolled the Tea Party and now are poised to plow even more cash into the 2012 elections thanks to 2010 Supreme Court case allowing unlimited, undisclosed campaign contributions. The Kochs are also more than cozy with Supreme Court Justices Clarence Thomas and Antonin Scalia. With all these areas of public policy under the political control of “the one percent,” it is hard to imagine how to remove the roadblocks to political progress for phasing out fossil fuels without also addressing the role of the rich in corrupting our political system, as best symbolized in the U.S. by the Kochs.

See Page 60 for diagram mapping the influence of Koch cash, in a graphic image we call the “Kochtopus.”

Who are the Individuals of Undue Influence

But it ain’t all about the Kochs. They are only a symptom—as is the climate crisis itself—of a larger global economic and political system out of whack. Our interest is in the causes driving today’s extreme concentrations of wealth and power—specifically the rules by which capital is invested not only in business activity but also in political influence toward policies that further enrich the investors, resulting in today’s vicious circle that concentrates wealth in the hands of a few while marginalizing the majority of people and plundering the planet.

With impressive speed, new oligarchic elites are recasting the global capitalist power balance, even as older, established ones extend their reach into areas of special interest to their investments, such as fossil fuels. A historic shift of economic power is occurring from the United States and Europe to the emerging economies of the developing world, as heavy industry and resource extraction shifts out of the traditional wealthy nations to the Global South. The emergence of large numbers of high-carbon multibillionaires in the South is symptomatic of this trend, as a predictable result of globalization.

Comparatively little study has been carried out into the new oligarchies of all countries, and the old analytical frameworks for the study of elites are increasingly out of date. No longer are global decisions made primarily at the International Monetary Fund or Bohemian Grove, at Davos or Bilderberg. Increasingly, they are made in Hong Kong, Beijing, Sao Paolo, Mumbai and Moscow by new elites who are virtually unknown to the Western public. New analyses and methodologies are needed.

In the United States and Europe, the process of deindustrialization and financialization has spawned a new crop of relatively low-carbon plutocrats, but the climate debate remains dominated by fossil fuel oligarchs whose increasing wealth has only tightened their grip on political processes. These financial wizards, Internet geniuses and hedge fund slight-of-hand artists are accumulating dizzying sums of capital, but they are unlike the old industrial elites of previous decades because their fingerprints on specific environmental crimes are much more ephemeral and harder to trace. In the time that it will have taken to read this paragraph, each of these new oligarchs will have purchased and divested a mind-bending blur of financial assets, probably including coal mines, power plants, steel mills and all sorts of toxic industrial nightmares.

Moreover, the traditional industrialists in the U.S. retain an historical responsibility for their larger carbon footprints due to longer periods of time polluting with fossil fuels, as well as their decades of investments in exerting political control over policymaking in the world's most polluting country that has kept global climate talks deadlocked. While the list of fifty individuals who follow includes many more names from the Global South than they would have one decade ago, it is those from the Global North that deserve the most attention, particularly in light of their governments' ignoring international legal obligations to cut carbon for twenty years. Don't think developing countries are not keeping track of past promises never kept.

In some emerging nations, especially China and Russia, the state retains a near-monopoly on political power and the new tycoons do not have outsized influence over government and military affairs. Elsewhere, however, the new billionaires have indeed become a new plutocracy. With heavy industry accelerating its migration from north to south, these emerging-markets plutocrats have accumulated enormous power over carbon emissions. As the world's carbon footprint is shifting, so is the decision-making over whether to adopt new carbon-reducing industrial technologies, whether to finance a new dam or coal-fired power plant, or whether to spread suburban subdivisions across rural hinterlands.

In terms of political/diplomatic power, these new oligarchs are primarily national in focus rather than transnational. There have been some attempts at mimicking the West's elite forums, such as the Boao Forum For Asia and the Fathers and Sons triennial meeting in Latin America. But these are quite incipient, and the elites of Asia and Africa could be described as oligarchs without an oligarchy—that is, part of a Superclass that has not yet developed the interlocking, mind-meld institutionality of the old trans-Atlantic elites. (Latin America is a slightly different case, because its old upper class has been able to maintain much of its traditional cohesion.) However, in terms of economic power, developing nations' new oligarchies have gained a truly transnational reach. Russian tycoons, for example, now own much of the remaining industrial infrastructure in the U.S. Rust Belt, from steel mills to coal mines.

China, of course, is a case unto itself. Despite its emergent economic might and explosive ecological impact on the world, it has spawned a relatively small number of billionaires because most of China's industrial firms are owned by local governments and government-owned banks. These new managerial/entrepreneurial elites are neither fish nor fowl – neither strictly Communist nor capitalist, obeying some government dictates while exercising considerable autonomy – and have stymied many of the central government's goals of increasing energy efficiency and moderating the use of natural resources. These elites are hidden behind an impenetrable cloak of anonymity and bureaucratic obfuscation, making analysis extremely difficult for foreigners (and apparently even for the central government in Beijing).

An additional analytical problem is that in many developing nations, the typically non-transparent and nature of wealth holdings makes it difficult to identify who has what, where or why.

Methodology

Any analysis of global economic oligarchy confronts an immediate issue of methodology. In the absence of definitive answers to this problem, IFG has adopted three basic criteria to identify the fossil fuel oligarchs and their influence over our climate commons: 1) total wealth, as measured by the Forbes billionaires list;² 2) apparent ecological damage and carbon impact, as indicated by the types of business conducted; 3) political favoring of carbon-intensive policies. We have not included other possible weightings such as finance, food

or foreign policy. When available, we include the score of companies in which the specific individuals are major investors, according to the Dow Jones Sustainability Index (DJSI).

According to its website: *“The DJSI is a group of indexes that were launched in 1999 as the first global sustainability benchmarks. These indexes evaluate the performance of the world’s leaders in sustainability. The DJSI is managed by the Dow Jones Indexes and Sustainability Asset Management. The DJSI Indexes have global and regional benchmarks including European, Eurozone, Nordic, North American, US, Asia Pacific, and Korean indexes. The DJSI is based on an analysis of corporate economic, environmental and social performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labor practices.”* The idea is to reject companies that do not operate under sustainable and ethical guidelines.

Another rating used is the CSR Hub rating for corporate social responsibility. According to its website, the environment category data: *“covers a company’s interactions with the environment at large, including use of natural resources, and a company’s impact on the Earth’s ecosystems. The category evaluates corporate environmental performance, compliance with environmental regulations, mitigation of environmental footprint, leadership in addressing climate change through appropriate policies and strategies, energy-efficient operations, and the development of renewable energy and other alternative environmental technologies, disclosure of sources of environmental risk and liability and actions to minimize exposure to future risk, implementation of natural resource conservation and efficiency programs, pollution prevention programs, demonstration of a strategy toward sustainable development, integration of environmental sustainability and responsiveness with management and the board, and programs to measure and engage stakeholders for environmental improvement.”*

This list has been compiled from original research by IFG's network of experts around the world, as well as public documents that are excerpted in the text. The result of this analysis is admittedly arbitrary, but IFG believes it is conceptually coherent and offers a clear, comprehensible way forward for future work to define who holds wealth and power, and is it impacts on democratic decision-making.

IFG suggests additional assessment of at least the following questions:

- What better yardstick should be used beyond mere net worth according to the Forbes billionaires list, environmental impact, and financing political support for fossil fuels;
- Should elites who have taken relatively progressive stands, such as Bill Gates, George Soros, be passed over by the hand of judgment? Should corporate green-washing attempts, such as those reflected in *The Times* (U.K.) Green Rich List, be viewed as providing any dispensation over the unapologetically right-wing defense of polluters’ rights?³
- If an ecological filter is adopted, should some sort of weighting be used to ensure that the resulting list of new elites does not overburden developing nations who deserve equitable access to atmospheric space?
- How to scale up the significant resources required to penetrating the new kinds of convoluted financial decision-making so as to improve methodology. The task will not be easy or quick.

Framing Future Actions

We want the filthy fifty to come clean and be part of the solution, as an initial step, by listening closely to what climate advocates are proposing, then engaging in broader conversations about today’s systemic crises in climate, energy, water, biodiversity, farmland, fisheries, minerals, and other natural resources and systems that

need urgent care, as well as the traditional communities who support them. Such engagement will show who is serious about being part of a solution, but we are not naïve about the nature of power.

Climate campaigners can increase their own “collective power” by working with other constituencies who also suffer from the same symptoms of corporate corruption of political processes and a system of organized greed. Taking on systemic inequality and corruption requires a series of steps to actively redistribute wealth and remove private money from policymaking, but such an ambitious agenda is not achievable if single-issue constituencies remain segmented in their silos and avoid unifying around a common agenda for systemic change.

Together, civil society must directly challenge the fundamental causes that are driving today’s multiple economic and environmental crises. Only by working together can “the 99 percent” gain the full measure of justice that all deserve.

¹ Winters interview: <http://www.wbez.org/episode-segments/2011-10-28/oligarchy-history-how-super-rich-defend-their-wealth-93577>

² http://www.forbes.com/lists/2010/10/billionaires-2010_The-Worlds-Billionaires_Rank.html

³ The Times (U.K.) Green Rich List <http://business.timesonline.co.uk/tol/business/specials/article5816774.ece>

CARLOS SLIM HELÚ AND FAMILY, MEXICO
\$63.3 BILLION [AS OF NOVEMBER 2011]



Slim is best known for his control of communications infrastructure but is less known for his investments in fossil fuels infrastructure, especially along the U.S. Mexico border which was built to support expanded trade under NAFTA. His investments in energy, water, transportation, housing, and utilities increase the resource intensity use of North America's economy, the planet's biggest polluting continent. See Slim's in depth profile on page 63.

Wealth: Carlos Slim is the richest man in the world, according to the Forbes 2011 list. Slim became a billionaire in 1990 after convincing then-President Carlos Salinas to give him a sweetheart deal to purchase TELMEX, the state-owned telephone company. Slim now is the largest shareholder in TELMEX and América Móvil, the hemisphere's fourth-largest wireless company, with more than 215 million subscribers in Latin America and the Caribbean. Slim is widely diversified with investments in construction, finance and media. He owns the construction conglomerate Impulsora del Desarrollo y el Empleo, which builds roads and energy infrastructure. He is president of Carso Infraestructura y Construcción, which installs pipelines, erects chemical and petroleum facilities (through its subsidiary Swecomex), undertakes infrastructure and civil construction contracts (through its CILSA subsidiary), and builds housing projects (through its subsidiary Urvitec). He also owns significant shares in the financial group Inbursa, Bronco Drilling (a major U.S. oil and gas drilling company) and Saks Fifth Avenue.

Power Networks: Carlos Slim owns stakes in Independent News & Media (a large newspaper chain with outlets in Australia, Ireland, New Zealand, Northern Ireland and South Africa) and the New York Times Company. Slim sits on the board of Philip Morris International and is also a trustee of the RAND Corporation.

Environment: Slim's investments in trade infrastructure and support devices leave him with a complex carbon footprint. In July 2010, Slim hosted a meeting of the United Nations' Energy and Climate Change Advisory Group (of which he is a member) in Mexico City. The group seeks to promote public and private partnerships to increase energy access and efficiency.² Neither Impulsora del Desarrollo y el Empleo nor Bronco Drilling is found on the Dow Jones Sustainability Index.⁴ (The DJSI tracks "the financial performance of the leading sustainability-driven companies worldwide.") Bronco Drilling only scores 57 (on a scale of 1-100) on the Tata Institute of Social Sciences' ratings of Corporate Social Responsibility.⁵

CHARLES AND DAVID KOCH, USA
\$50 BILLION [AS OF NOVEMBER 2011]



Wealth: In 2010, Koch Industries topped \$100 billion in sales and now ranks as America’s second-largest private company, behind Cargill (with \$109.8 billion).⁶ The Koch brothers’ father, Fred C. Koch, invented the “cracking” method for refining crude oil into gasoline, and the family fortune is founded on the expansion of the fossil fuels economy. Sons Charles, David, Frederick and William inherited Koch Industries after their father, who also founded the John Birch Society. Charles and David bought out William and Frederick for \$1.1 billion in 1983. Today, the company has stakes in pipelines, refineries, fertilizer, fibers and polymers, forest and consumer products, chemical technology, and commodity and financial trading. Koch Industries employs 70,000 workers in 60 countries. In 2004, the company purchased Invista, the maker of Lycra and Coolmax fabric, for \$4.2 billion. In 2005, Koch Industries purchased the paper and building-supply vendor Georgia-Pacific for \$21 billion. The Koch brothers now profit from the sale of every Dixie Cup and every roll of Brawny kitchen tissue and Quilted Northern toilet paper. Each brother owns 42 percent of the Koch Industries.

The Koch’s Flint Hills Resources subsidiary owns three refineries that process more than 800,000 barrels of crude oil daily. Koch operates crude gathering systems and pipelines across North America as well as cattle ranches in Kansas, Montana, and Texas with a total of 15,000 head of cattle, a huge source of the dangerous greenhouse gas methane. The company owns a 3 percent stake in the Trans Alaska Pipeline System, 4,000 miles of pipelines that carry crude oil, refined petroleum products, natural gas and chemicals across the United States, and an 80,000 barrels-per-day refinery in Rotterdam in The Netherlands. Koch’s numerous subsidiaries (including its proprietary Market Based Management system) uses its operational, trading, transaction and public-sector skills to create long-term value for its customers. The company has pursued a strategy of reinvesting about 90 percent of its earnings into acquisitions and investments (some \$32 billion between 2005-2010, including the \$21 billion purchase of Georgia-Pacific). Expanding its product line, in 2010 Georgia-Pacific agreed to buy oriented strand board manufacturer Grant Forest Products for \$400 million.

Power Networks: Charles and David Koch co-founded the Cato Institute (a radical right think tank) and David (along with Koch board member Richard Fink) created Americans for Prosperity, a controversial

Washington-DC-based political action committee that has helped fund the Tea Party movement.⁷ During the 2010 election-year, AFP handed out \$40 million to right-wing campaigns. The full extent of the Koch's lobbying is difficult to assess since, as *The New Yorker* pointed out in an August 30, 2010 article, the Kochs are known for "creating slippery organizations with generic-sounding names." See the map of Koch-cash flows that finance political influences in the Kochtopus on page 58. The Koch brothers and Koch Industries have opposed President Obama's environmental initiatives and are such fierce proponents of climate-change denial that they spent more money than Exxon to fight climate-stabilizing policies from 2005 to 2008.⁸ ⁹ They contributed several million dollars to California's Proposition 23 campaign in the November 2010 election in a failed attempt to overturn the state's "Global Warming Solutions Act of 2006." Koch Industries is not on the Dow Jones Sustainability Index.¹⁰

Environment: After an August 2010 profile of the Koch brothers in *The New Yorker*, environmental groups have begun a name-and-shame campaign against them¹¹ and have called for a boycott of Koch Industry products including Zee paper towels, Lycra® fiber, Teflon and Stainmaster carpets. As the most influential fossil fuels family in the country that is blocking global progress on climate action, the Kochs have arguably the largest burden of responsibilities for a deepening climate crisis. The Kochs' capture of U.S. policy-making processes act as a sort of full spectrum domination of democracy.

EIKE BATISTA, BRAZIL
\$30 BILLION [AS OF MARCH 2011]



Wealth: Heir to a minor fortune, Eike Batista's early wealth came from the construction of railways and ports to ship iron ore to Asia, a carbon intensive effort due to its inherently resource rich, long distance, and heavily polluting processes. He got his start mining for gold in the Amazon, an activity that has been a device of deforestation in the planet's largest carbon storage ecosystem. He is now the founder and CEO of EBX Group, a constellation of companies involved in oil and natural gas, coal mining, electricity production, and shipbuilding. In 2007, Batista went on to found OGX, an oil and gas exploration company. His shipping business, OSX,¹² is Brazil's largest private-sector exploration and production company.

Power Networks: Batista was an ally and large campaign donor to Brazil’s ex-President Lula. Batista current enjoys a similar relationship with Brazil’s new leader, President Dilma Roussef. Both leaders vigorously pursue industrial growth policies that make Brazil one of the world’s biggest emitters.

Environment: Batista has worked hard to green-wash his enterprises, but with limited success. EBX is absent from the Dow Jones Sustainability Index.¹³ Having failed to obtain environmental clearance for a shipbuilding plant in Santa Catarina, EBX is now pursuing a license for Rio de Janeiro.¹⁴ In what has been called “one of the greatest achievements in environmental recovery in Brazil,” Batista’s EBX Group (in partnership with public institutions) undertook a 30-month Lagoa Limpa (Clean Lagoon) project to restore Lagoa Rodrigo de Freitas, one of Rio de Janeiro’s best-loved landmarks.¹⁵

LI KA-SHING, HONG KONG
\$26 BILLION [AS OF MARCH 2011]



Wealth: Li Ka-shing owns stock in Cheung Kong and Hutchison Whampoa (HW). Through HW, Li is the world’s largest operator of container terminals in what is now the region through which almost all manufacturing originates for exporting goods across oceans. He is also the world’s largest health and beauty retailer (by number of outlets), a real estate developer and a major supplier of electricity to Hong Kong. Li is a majority shareholder in Husky Energy, a Canadian oil firm that recently announced its third oil discovery in the South China Sea.¹⁶ Husky Energy is in a joint-venture with BP to develop the Sunrise Oil Sands Project in Alberta, Canada (which is proceeding despite BP shareholder concerns over its environmental impact).¹⁷

Power Networks: Li’s powerful allies include Lee Shau Kee of the Henderson Land Development, New World Development’s Cheng Yu-tung, casino and property magnate Stanley Ho, the Kwok family of Sun Hung Kai Properties, and Henry Fok Ying-tung. Li is regarded as one of Asia’s most generous philanthropists, having donated more than \$1.4 billion to charity and other various causes.¹⁸ Beneficiaries include the University of California at Berkeley, which received \$40 million from Li to build the Li Ka-shing Center for Biomedical and Health Sciences, a new biosciences facility set to be completed in 2011. Li also has

given UC Berkeley's rival, Stanford University, \$90 million for the Li Ka-shing Center for Learning and Knowledge, part of Stanford's School of Medicine.

Environment: Neither Hutchison Whampoa nor Husky Energy are listed on the Dow Jones Sustainability Index.¹⁹

MUKESH AMBANI, INDIA
\$22.6 BILLION [AS OF OCTOBER 2011]



Wealth: Mukesh Ambani owns Reliance Industries, India's largest private-sector conglomerate.²⁰ His father, Dhirubhai H. Ambani, was founder and longtime head of Reliance. After joining Reliance in 1981, Mukesh initiated Reliance's "backward integration" strategy, expanding the company's acquisitions beyond textiles into polyester fibers and then further "backwards" to control the petrochemical supplies used to make its synthetic fabrics. Reliance has expanded into petrochemical production, petroleum-refining and oil and gas exploration. Ambani built the world's largest petroleum refinery at Jamnagar, India, with a current capacity of 1.2 million barrels-per-day. The Jamnagar site combines petrochemical operations with power generation that supplies a large port and related infrastructure.²¹

Power Networks: Ambani enjoys tight links with Indian government and U.S. government officials. He has met several times with President Obama, most recently in November 2010, when Obama and GE CEO Jeffrey Immelt announced a \$750 million deal in which Reliance agreed to purchase turbines manufactured by GE. (Immelt was subsequently named Obama's chief economic adviser.)

Ambani chairs the board of Indian Institutes of Management, India's leading graduate business schools, which conduct research and provide consultancy services in the field of management to various sectors of the Indian economy.

Environment: Ambani owns a controlling interest in Canadian oil sands company Value Creation Inc. (VCI), which has a partnership with BP Canada.²² According to the VCI website: "VCI is responsible for preparing detailed baseline environmental studies to find out and understand the potential impacts of the Pilot Project on the environment. Assessments will be completed in several key areas and submitted to Alberta Environment as part of the approval process for the Pilot Project. Once the Pilot Project is approved, follow up environmental evaluation will be conducted. VCI is committed to minimizing surface disturbance and will

attempt to avoid environmentally and culturally sensitive areas where possible.” Key environmental considerations are: air quality, groundwater and surface water, fish and aquatic resources, soils and terrain, vegetation and wetlands, wildlife and biodiversity, historical resources and reclamation.²³

Even by the standards of global billionaires, Ambani’s home in Bombay is a testimony to extravagance. Rising 27 stories high, commanding 398,000 square feet, with a six-story parking garage and three helipads, it resembles what *The New York Times* called “a Blade Runner-meets-Babylon edifice.”²⁴ Its construction cost is estimated at over \$1 billion, making it the most expensive private home in modern history (rivalled only by the palatial homes of royalty). Neither Reliance Industries nor VCI are on the Dow Jones Sustainability Index.²⁶

SHELDON ADELSON, USA
\$21.5 BILLION AS OF SEPTEMBER 2011



Wealth: Sheldon Adelson, the son of a cab driver who started out selling newspapers at the age of 12, is now the world’s biggest casino developer. Adelson is chair and Chief Executive Officer of the Las Vegas Sands Corp, with casino and hotel properties in Las Vegas, Macau and Singapore. The 78-year-old developer is currently the eighth-richest individual in the U.S. In the 1980s, Adelson created the computer expo event known as Comdex and sold it to Japan’s Softbank for \$862 million 1995. In the 1990s his company built the \$1.5 billion Venetian Resort Hotel Casino and the 1.2-million-square-foot Sands Convention Center. In 2008, he opened \$1.9 billion Palazzo Resort-Hotel-Casino in Las Vegas and, in April 2010, he cut the ribbon on the \$5.7 billion Marina Bay Sands in Singapore. His company is currently the subject of a Securities Exchange Commission investigation involving allegations of bribery in his Asia operations.²⁷

Power Networks: Adelson is the head of the Las Vegas Sands Corporation, a casino-resort based in Nevada. Adelson also founded and owns the media company that publishes *Israel HaYom (Israel Today)*, a free daily tabloid that is the country’s largest-circulation daily.²⁸ The newspaper is strongly rightwing, opposes a two-state solution to the Israel-Palestinian conflict, and has criticized Israeli Prime Minister Binyamin Netanyahu as being insufficiently conservative and even “pro-Palestinian.” Since its founding in 2007, *Israel HaYom* has had a major impact in pushing Netanyahu to the right.

Adelson has given tens of millions of dollars to hardcore conservative U.S. groups that strenuously oppose climate policies and reducing the use of fossil fuels, including Freedom’s Watch, Freedom Works, the American Israel Public Affairs Committee, and American Solutions for Winning the Future. Adelson’s contributions to George W. Bush’s re-election campaign were lavish enough to see him qualify as a Bush Pioneer. He has been fiercely anti-union in his dealings with workers at the Sands Hotel in Las Vegas.²⁹

Environment: Las Vegas Sands Corp.’s CSR Hub environmental rating is 37. One of the Sands’ properties, The Palazzo Las Vegas, was silver-certified by the U.S. Green Building Council’s Leadership in Energy and Environmental Design certification program. “From the beginning, we were determined to create Las Vegas’ first truly eco-friendly property, and we are extremely proud to have achieved it and be recognized for it,” said Adelson in 2008.³⁰ The Las Vegas Sands Corporation is not on the Dow Jones Sustainability Index.

As one of the world’s wealthiest individuals who has bankrolled the political tone of “drill, baby, drill,” and “bundled” campaign contributions for members of Congress who have separated conservation” from “conservative,” Adelson is inextricably involved in blocking solutions.

KWOK FAMILY, HONG KONG \$20 BILLION [AS OF MARCH 2011]



Wealth: Walter Kwok Ping-sheung and his brothers Thomas and Raymond inherited Sun Hung Kai Properties, Hong Kong’s largest real estate developer, following their father’s death in 1990. Walter is the chair and CEO of that organization and the brothers share control of the firm. The Kwok brothers are the third-wealthiest people in Hong Kong and Greater China Region, just after Li Ka Shing and Lee Shau Kee.

Sun Hung Kai Properties (SHKP) is now one of the largest property companies in Asia, and the largest real-estate developer in Hong Kong by market capitalization. It specializes in residential and commercial projects for sale and investment. It employs 27,000 people. SHKP turned over HK\$25.6 billion in 2006, with an operating profit of HK\$12.3 billion. The majority (65%) of its revenues and operating profit (88%) was derived from property sales and rental.

SHKP and Cheung Kong Holdings, Ltd. (Hong Kong’s two largest developers) currently dominate the development of new private homes in Hong Kong, accounting for 70% of the market in 2010, up from around half of that in 2003. In July 2010, the two firms sold more than HK\$11 billion (\$1.42 billion) worth of properties in a single record-setting weekend.³¹

Power Networks: Sun Hung Kai Properties has been criticized for achieving its growth by conspiring with government officials to auction public land in such expensively large blocks that small- and mid-sized firms are squeezed out of the bidding process.³²

Environment: Sun Hung Kai Properties (SHKP) does not appear on the Dow Jones Sustainability Index.³³ Nonetheless, Sun Hung Kai Properties proudly boasts that it has won several awards for environmental excellence.³⁴

LAKSHMI MITTAL, INDIA
\$19.2 BILLION [AS OF OCTOBER 2011]



Wealth: Lakshmi Mittal is chair and CEO of ArcelorMittal, the world’s largest steel-maker, one of the most energy-intensive, greenhouse gas emitting industries. ArcelorMittal the market leader for steel used for automobiles, construction, household appliances and packaging. Headquartered in Luxembourg, ArcelorMittal ranks 90th on the 2011 Forbes list of largest public companies and is widely recognized as a leader in restructuring the global steel industry towards a more consolidated model. He also has championed the development of integrated mini-mills and the use of direct-reduced-iron as a scrap substitute for steelmaking. In 2004, Mittal was presented with *Fortune* magazine’s European Businessman of the Year Award.³⁵

Power Networks: Mittal is a director at European Aeronautic Defense and Space Co. (a leading defense and military contractor worldwide), Goldman Sachs Group, and ICICI Bank Limited of Mumbai. He is also a member of Kazakhstan’s Foreign Investment Council, South Africa’s International Investment Council, Ukraine’s Investors’ Council to the Cabinet of Ministers, the World Economic Forum’s International Business Council, the World Steel Association’s Executive Committee and Mozambique’s Presidential International Advisory Board. He also sits on the Advisory Board of the Kellogg School of Management in the United States.

Environment: ArcelorMittal’s mine workers have accused Mittal of cashing in on slave labor conditions after scores of miners were killed in accidents in his Kazakh mines (at least 90 have been killed since 2004).³⁶ A group of 10 environmental organizations complained to the Johannesburg Stock Exchange in December 2010 that nine companies on its 2010 socially responsible investing (SRI) index were “serious and serial offenders” of environmental laws. The companies they cited were Evraz Highveld Steel & Vanadium, Exxaro Resources, Arcelor Mittal, Pretoria Portland Cement, DRD Gold, Gold Fields, Mondi, Sappi and Sasol.³⁷ Arcelor Mittal featured three years in a row in reports for non-compliance at its Vereeniging, Vanderbijlpark, Newcastle and Saldanha plants for contraventions ranging from the release of particular emissions to non-compliance with waste and air permits. Most of these incidents constituted criminal offences under South African environmental law.³⁸

ArcelorMittal is listed in the Dow Jones Sustainability Index for France.³⁹

LEE SHAU KEE, HONG KONG
\$19 BILLION [AS OF MARCH 2011]



Wealth: Lee Shau Kee is a real estate developer and majority owner of Henderson Land Development, a property conglomerate with interests in properties, hotels, towns, gas, and Internet services throughout mainland China. Lee is currently the second-wealthiest person in Hong Kong and China, behind Li Ka-Shing. Lee has major stockholdings in several Chinese companies including PetroChina, China Shenhua Energy and China Life. He is chairman of Hong Kong & China Gas, which distributes gas in more than 90 cities.⁴⁰

PetroChina Company Limited (“PetroChina”) is China’s largest producer and distributor of oil and gas. As such, it plays a dominant role in the country’s oil and gas industry. In addition to the huge profits it has amassed inside China, PetroChina’s global profits also make it one of the largest oil companies in the world.

Power Networks: Lee Shau Kee is a member of the Board of Directors of Hong Kong Ferry Ltd. and The Bank of East Asia. He is a major shareholder in Nine Dragons, the paper manufacturer founded by fellow billionaire Yan Cheung. Lee reportedly has invested heavily in oil stocks.⁴¹

Environment: PetroChina, China Shenhua, Hong Kong and China Gas, and China Life are all absent from the Dow Jones Sustainability Index.⁴² In market value, PetroChina is the second largest petroleum company in the world after ExxonMobil, according to the 2011 Forbes List of Biggest Public Companies.

ALEXEI MORDASHOV, RUSSIA
\$18.5 BILLION [AS OF MARCH 2011]



Wealth: Alexei Mordashov was born into a family of mill workers but has risen to become the chief executive and controlling shareholder of Severstal, a powerful conglomerate that includes Russia's second-largest steel company, along with automakers, coal companies, and firms that develop ports and transportation systems. In the 2000s, Severstal purchased several large U.S. steel plants from ailing steelmakers, including the former complexes of Bethlehem Steel and U.S. Steel in Maryland, West Virginia and Ohio.

Power Networks: Mordashov is a patron of the arts, including the Bolshoi Ballet, the Mariinsky Theatre, the Tretyakov Gallery, the Moscow International Film Festival and the Russian Museum. He also sponsors more than 20 public sports stadiums, ice rinks, football fields and athletic centers.

Environment: In July 2010, Baltimore residents filed suit against Severstal over pollution at its Sparrows Point steel mill, which has been fined repeatedly in recent years by the U.S. EPA for pollution. Although Severstal is not on the Dow Jones Sustainability Index, the company's website boasts a large environmental section.⁴³ While U.S. steelworkers are aggressively active to advance climate policies via their unions, steel executives' priorities are profits, which too often make them push for less regulation.

VLADIMIR POTANIN, RUSSIA
\$17.8 BILLION [AS OF MARCH 2011]



Wealth: Vladimir Potanin is the owner of Interros, a conglomerate with extensive stakes in mining, metals, energy, finance, retail, real estate and other sectors in Russia, Europe, Asia and North America. Its Norilsk Nickel is one of Russia's largest mining firms and its Prof-Media is Russia's largest media group, owning magazines, radio stations, movie theaters and a television network that broadcasts Russian versions of MTV and VH-1. With fellow billionaire, Mikhail Prokhorov, he built Interros by winning over the corporate customers of two huge Soviet-era banks in 1992. Potanin and Prokhorov later took control of metals giant Norilsk Nickel and the Sidanco oil company in controversial “loans-for-shares” privatization auctions. He split from Prokhorov in early 2007. During Russia's financial crisis, Potanin has been forced to liquidate some of his assets, like his stake in Polyus Gold.

Power Networks: Potanin has variously served as a Deputy Prime Minister of the Economy and as partner to George Soros in the telecom monopoly Svyazinvest.⁴⁴ Since 2003, Potanin has headed the National Council on Corporate Governance (NSKU), whose main goal is to improve legislative regulations in Russia and to introduce professional and ethical standards of corporate governance into the operations of Russian companies to boost the reputation and investment appeal of Russian business. He is a member of the Board of Trustees of the Solomon R. Guggenheim Foundation in New York, Chair of the Board of Trustees of the State Hermitage (Russia's most renowned art museum), and a member of the Public Chamber of Russia. In 2007, the French Ministry of Culture and Communications named him an Officer of the Order of Arts and Literature for his cultural contributions. In 2010, he became the first Russian billionaire to announce his decision to transfer his fortune to charity rather than to his children.

Environment: In 2007, a single Norilsk Nickel smelter in Siberia was reportedly emitting 900,000 tons of sulfur dioxide annually. All three of Potanin's smelters near the namesake city of Norilsk were producing almost 2 million tons of SO₂—a figure that had fallen by only 16% since Soviet rule. These plants produce one-fifth of the world's supply of nickel, nearly half of the world's palladium and the planet's largest clouds of acid rain. Greenpeace Russia said this pollution was responsible for a 19-mile dead zone around the city and that the acid rain had spread across an area equal to the size of Germany.⁴⁶ According to Richard Fuller of the Blacksmith Institute, the city of Norilsk experiences so much air pollution that “there is no living piece of grass or shrub within 30 kilometers [19 miles] of the city.”⁴⁷

In November 2009, Norway’s finance ministry announced that an ethics committee had recommended dropping Norilsk Nickel’s stocks from the country’s pension fund due to evidence that its operations were causing health problems among people living near the company’s Siberian smelters. The ministry said that Norilsk’s activities had produced unacceptable levels of sulfur dioxide and heavy metals in the Taimyr Peninsula. Norilsk said it had taken measures to ameliorate environmental damage.⁴⁸ Norilsk Nickel does not appear on the Dow Jones Sustainability Index.

According to its website, Norilsk Nickel is dedicated to: the gradual reduction of sulfur dioxide and other emissions; the reduction of solid waste; reduced emissions of water-borne pollutants into rivers, lakes and sea; and the construction of “green” waste-disposal facilities.⁴⁹

ALISHER USMANOV, RUSSIA/UZBEKISTAN
\$17.7 BILLION [AS OF NOVEMBER 2011]



Wealth: Alisher Usmanov, the fifth-richest man in Russia, is the lead owner of Metalloinvest, the country’s biggest iron ore producer. Metalloinvest, which was founded to manage the metals interests of the state-owned natural gas firm Gazprom, owns a wide range of Russian metal and mining businesses including Mikhailovsky GOK, Moldavia Metal, Ural Steel, Ormeto-YUMZ, Olenegorsk iron-ore company, pig-iron company Tulachermet, the Oskol electro-metallurgical plants and the Lebedinski mining-processing combines. His combined holdings make him one of the top 10 steelmakers in Russia.

Usmanov is the sole owner of Cyprus-registered Gallagher Holdings, a global conglomerate with investments in mining and steel, technology, oil and gas, media and pharmaceuticals. Since 2006, Gallagher Holdings has acquired stakes in the Australia-based mining companies, Medusa, Mt. Gibson and Aztec Resources. He is also the largest shareholder in London-listed Nautilus Minerals (which is prospecting undersea gold and copper deposits off Papua New Guinea) and owns (through Gallagher Holdings) an interest in Australia’s Strike Resources, which is currently mining a world-class iron ore deposit in Peru.

Power Networks: Usmanov is the publisher of *Kommersant*, Russia’s leading business-oriented newspaper, which is well-positioned to shape the opinions of Russian thought-leaders. He owns 59 percent of

Telecominvest and is the head of MegaFon, Russia's third-largest mobile phone company. Usmanov's Digital Sky Technologies was an early investor in Facebook, Zynga and Groupon and Usmanov still owns 2 percent of Facebook's shares. He is also a co-owner of the TV media holding company that includes a sports channel, a music channel, and 33 regional TV broadcasting stations. He owns the Sekret Firmy Publishing House, as well as the Internet website Livejournal.com, the Internet newspaper Gazeta.ru, and several plus popular web portals, including Mail.ru, Odnoklassniki.ru, and V Kontakte.ru.

Usmanov's control over Gazprominvestholdings, the investment holding subsidiary of Gazprom, Russia's national gas company, assures his extremely tight links to the Kremlin. Usmanov's empire has been buoyed by government funds. In 2009, the state-controlled bank VTB gave Metalloinvest a \$2 billion line of credit (with half of the amount guaranteed by the state). Usmanov is the president of the FIE, the international governing body of fencing and is the lead shareholder in London's Arsenal Football Club.

Environment: In 2005, Metalloinvest introduced a Direct Reduced Iron process that promised "extra clean steel with minimum environmental damage" in hopes of helping Russia meet its emission-reducing goals under the Kyoto Protocol.⁵⁰ Metalloinvest and Anglo American have partnered with Nautilus Minerals to open the world's first deep-sea-mine. The project, set to begin operation in 2013, will search for gold, copper and other "seafloor resources" in the waters off Papua New Guinea.⁵¹ Metalloinvest, Digital Sky, Telecominvest and MegaFon are all absent from the Dow Jones Sustainability Index and have no ratings on CSR Hub.

GERMAN LARREA MOTA VELASCO & FAMILY, MEXICO \$16 BILLION [AS OF MARCH 2011]



Wealth: German Larrea Mota Velasco is the chair and chief executive of Grupo Mexico, the largest mining corporation in Mexico and the third-largest copper producer in the world. Grupo Mexico also includes Ferromex, Mexico's largest railroad company, Southern Copper and the U.S. mining subsidiary ASARCO.

Power Networks: Larrea has a tight relationship with governments, both past and present. In 1989, then-President Carlos Salinas gave Larrea a sweetheart deal allowing him to "privatize" the state-owned Cananea mine at only one-fourth of its assessed value.

Environment: Since it was privatized, Grupo Mexico’s mines have seen frequent labor conflicts with workers. In February 2007, 65 miners were killed in an explosion at a Grupo mine—after Grupo had ignored worker warnings of unsafe conditions for months. Workers at Grupo Mexico’s Cananea mine, one of the largest open-pit copper mines in Mexico, have been on strike since July 2007. In July 2007, 1,300 workers at the company’s Mineros copper mine walked off their jobs to protest safety standards.⁵² In September 2010, Grupo Mexico announced it would unilaterally abandon its labor agreements under the *force majeure* (“greater force”) argument in response to strike actions at the La Caridad smelter and refinery complex where members of the National Union of Mine and Metals Workers (“Los Mineros”) prevented contract workers from crossing the strike lines.⁵³ It was a struggle over this same historic mine that helped spur the Mexican Revolution in the early 1900s.

In addition to mine safety, there have been frequent controversies over pollution at Larrea’s mines in Mexico and the U.S. In December 2009, Larrea’s U.S. subsidiary, ASARCO, paid \$1.8 billion to resolve air and water pollution allegations at more than 100 sites in the U.S. The payment marked an end to the largest environmental-linked bankruptcy in U.S. history. In 2005, ASARCO (originally formed in 1899 as American Smelting and Refining Co.) filed for Chapter 11 protection from creditors after the EPA and property owners sought roughly \$3 billion in cleanup and compensation for lands polluted by the company’s operations. As of early 2011, ASARCO was embroiled in a legal battle with the U.S. EPA over various lawsuits and countersuits. Neither Grupo Mexico nor ASARCO appears on the Dow Jones Sustainability Index.

MIKHAIL FRIDMAN, RUSSIA
\$15.1 BILLION [AS OF MARCH 2011]



Wealth: Mikhail Fridman’s Alfa Group (which he shares with fellow billionaires German Khan and Alexei Kuzmichev) controls Alfa Bank (Russia’s largest private bank), Alfa Capital, TNK-BP (oil), X5 (the country’s biggest retailer) and several construction material firms (cement, timber, glass) as well as food-processing businesses and a supermarket chain. The two are also major holders of tea and sugar processors. Alfa also owns a large portion of the Turkish mobile operator Turkcell.

Power Networks: Fridman is the Russian representative on the International Advisory Board of the Council on Foreign Relations. He is a member of the Public Chamber of Russia, a state institution with 126 members created in 2005 to analyze draft legislation and monitor the activities of the Russian Parliament (consisting of the Federation Council and the State Duma) and other government bodies. He has been an active supporter of Jewish initiatives in Russia and Europe. In 1996, Friedman was one of the founders of the Russian Jewish Congress and he now sits on the RJC Presidium. He is a major donor to the European Jewish Fund.

In 2005, Fridman was involved in a privatization scandal after two luxury houses formerly owned by the government were sold in 2003 for a price significantly below market value in a deal arranged by then-Russian Prime Minister Mikhail Kasyanov. The mansions were sold to two companies, one owned by Fridman and the other owned by Kasyanov.

Alfa Bank has a Luxembourg-registered subsidiary Alfa Finance Holdings (AFH). Shapburg Limited, one of AFH's shareholders, is a Luxembourg-registered company that reportedly played a key role in the financial crisis that rocked Iceland.⁵⁴

Environment: In 2007, Russia's environmental agency found violations by a subsidiary of Fridman's oil company, TNK-BP that controls the license for Siberia's massive Kovykta gas field. Russian media reported that the agency decided to start proceedings to withdraw authorization for operations.⁵⁵ Partly as a result, TNK-BP pledged to spend \$20 million on environmental remediation at its Saratov refinery.⁵⁶ In March 2011, TNK-BP was forced to sell the Kovykta field to Gazprom, Russia's state-owned gas company. The Kovykta field, once valued at \$2 billion, was purchased for \$776 million.⁵⁷

In November 2002, the oil tanker Prestige, operated by Alfa's subsidiary Crown Resources, sank off the Spanish coast, creating a huge oil spill that fouled hundreds of miles of the Atlantic coast. (Alfa quickly sold Crown after this accident.)

Alfa Group and TNK-BP are absent from the Dow Jones Sustainability Index.⁵⁸ According to Alfa Group's website, its subsidiaries regularly contribute to nature conservation initiatives including environmental campaigns to plant trees and clean up litter.⁵⁹

VAGIT ALEKPEROV, RUSSIA
\$13.9 BILLION [AS OF MARCH 2011]



Wealth: Vagit Alekperov is a former Caspian Sea oil-rig worker who rose to become a deputy minister in the Soviet oil industry. He currently ranks as the eighth-wealthiest person in Russia. In 1991, the dying days of the USSR, Alekperov let a group of businessmen who took control of three large ministry-controlled oil fields set up Lukoil. Now president of Lukoil, Russia's largest independent energy company, with a 20 percent stake. The firm's reserves are second only to ExxonMobil. In 2009, Lukoil won the right to drill for oil in Iraq's giant Western Qurna-2 fields, site of one of the world's largest petroleum deposits. In 2000, Lukoil became the first Russian firm to acquire a U.S. company when it purchased Getty Petroleum Marketing and

its chain of 1,300 U.S. gas stations for \$71 million.⁶⁰ On February 28, 2011, Lukoil sold Getty to Cambridge Petroleum Holding Inc. for an undisclosed sum.⁶¹ Like many of his fellow Russian oligarchs, Alekperov has also branched out into banking and media.

Power Networks: Alekperov enjoys a tight relationship with Russian Prime Minister Vladimir Putin.⁶²

Environment: Lukoil was responsible for the largest oil spill in Russian history when a 1994 accident spilled 33.6 million gallons of crude oil into a fragile Arctic tundra area and a national forest near the Black Sea. Russia’s environmental protection agency subsequently forced Lukoil to pledge \$3 billion to install new safety technology.⁶³

Lukoil now features a lengthy environmental section on its website, which details the company’s implementation of environmental measures, through the year 2010.⁶⁴ According to the website, Lukoil’s Corporate Planning Concept was based on the Kyoto Protocol. Lukoil conducted an inventory of the greenhouse gases it generates and developed a carbon-investment portfolio containing projects designed to achieve documented reductions in emissions. Lukoil is not to be found on the Dow Jones Sustainability Index.

ROMAN ABRAMOVICH, RUSSIA
\$13.4 BILLION [AS OF MARCH 2011]



Wealth: Roman Abramovich is the co-owner of Russian Aluminum and Evraz, Russia’s second-biggest steel company. Much of the rest of his business involvements are extremely murky and little known. Even on the scale of Russia’s notoriously gangland-style oligarchy, he is known as a shadowy figure. Abramovich has managed to remain largely unknown until recently. Few people even knew what Abramovich, once called the “stealth oligarch,” looked like. One newspaper offered a reward to the first person to photograph him.

Power Networks: A former ally of oil-and-media billionaire Boris Berezovsky, Abramovich was part of then-Russian President Boris Yeltsin’s inner circle. Abramovich partnered with Berezovsky to take over state-owned oil giant Sibneft—at a fraction of its market value. Berezovsky once argued that Russia’s oligarchs might “under extraordinary circumstances, find it acceptable—indeed, necessary—to interfere directly in the political process.”⁶⁵ But while Berezovsky fell from grace and now lives in self-exile in Britain, Abramovich is now allied with Vladimir Putin’s circle. Abramovich took over Berezovsky’s oil assets and his holdings in the country’s largest television network.

Abramovich been involved in numerous legal struggles and allegations of illegal conduct. He is protected by 40 bodyguards. After first winning a seat in the State Duma, Abramovich became governor of Chukotka, a position he held from 2000-2008.⁶⁶ Abramovich has spent more than \$1.3 billion of his own money building new homes, supermarkets, hotels and cinemas in Chukotka.⁶⁷ Critics say his real motives are gaining control over the region's natural resources and perhaps greater political aspirations. Abramovich's assets are managed offshore through his investment fund Millhouse Capital, located in Britain, a country that Abramovich seems to slowly be making his home.⁶⁸ Russian soccer fans have called Abramovich unpatriotic for becoming the owner of Britain's renowned Chelsea Football Club.

Environment: In Claymont, Delaware, Evraz and its Evraz Claymont Steel subsidiary are facing an environmental lawsuit from some 80 residents and business owners. The lawsuit alleges that "environmental contamination unlawfully emanating from (the company's) steel plant" has caused personal injury and property damage. Evraz announced August 10, 2010 that it had signed a consent decree with the state's environmental authorities and plans to mitigate and monitor emissions from the steelworks. Residents claimed that the industrial dust from the steel plant was potentially hazardous as amounts of mercury, lead, nickel and manganese had "blanketed the neighborhood as thickly as snow on many occasions, in quantities sufficient to scratch and peel the paint off of automobiles." The lawsuit claimed the steelmaker "knowingly and intentionally chose inadequate procedures to prevent fugitive dust emissions because proper safety procedures and equipment cost money (and the company) unlawfully valued plant profitability over compliance with relevant environmental laws and the health and safety of the plant's neighbors."⁶⁹

Evraz's mines in South Africa have been criticized by environmental organizations for violating health regulations and causing severe pollution.⁷⁰ Evraz is absent from the Dow Jones Sustainability Index and has a Corporate Social Responsibility score of 43. Evraz has a lengthy, detailed statement about its environmental efforts on its website.⁷¹

ALBERTO BAILLERES, MEXICO
\$11.9 BILLION [AS OF MARCH 2011]



Wealth: Alberto Bailleres is chair and chief stockholder of Industrias Penoles, Mexico's second-largest metals and mining group. Industrias Penoles is the leading Latin American producer of refined gold, lead and zinc and the world's top producer of silver. Bailleres also has interests in the upscale department store chain El Palacio de Hierro and the insurance company Grupo Nacional Provincial.

Power Networks: Bailleres is a member of the board of Instituto Tecnológico Autónomo de México, a private research university and think-tank in Mexico City. He serves on the board of directors of Grupo Televisa and has a stake in Femsa, a Mexican Coca-Cola bottling company.

Environment: Industrias Penoles has been involved in frequent controversies over its mining practices. In 1999, a Mexican federal court ordered the company to set up a \$6.4 million healthcare fund to treat victims and relocate people living near the company’s toxic slag-heap in Torreon, a town in the Mexican state of Coahuila. The ruling, which capped a 15-year campaign by poor neighborhood residents, was bolstered by scientific studies that found high levels of lead in childrens’ blood. However, controversy continues, as Mexican authorities have accused the company of failing to comply with the court order. The company has lots of green-washing material on its website.⁷²

JOHN FREDRIKSEN, CYPRUS
\$10.7 BILLION [AS OF MARCH 2011]



Wealth: John Fredriksen is the world’s leading oil tanker tycoon, a double-whammy for the climate due to dirty bunker fuel burning in cargo ships as well as the high carbon content of oil tankers. Norwegian-born Fredriksen was Norway’s richest man until he chose to abandon his Norwegian citizenship and take up a Cypriot passport. Through his investment companies Hemen Holdings and Meisha, Fredriksen controls the companies Frontline and Golar LNG from his £100 million, 30,000-square-foot Chelsea home in London. He also has major interests in the oil platform operator SeaDrill, container shipper Tui, Marine Harvest (the world’s largest seafood company and its biggest salmon farmer), the dry bulk company Golden Ocean Group, and the world’s largest shipholding company, Overseas Shipholding Group.

Power Network: Fredriksen made his fortune during the Iran-Iraq wars in the 1980s when his tankers picked up Iranian oil at great risk and huge profits. As described by his biographer, “He was the lifeline to the Ayatollah.”⁷³

Environment: Marine Harvest was targeted by the Pure Salmon Campaign Coalition, a group that works to eliminate destructive environmental practices by separating farmed fish from wild fish populations and finding new sources of fish feed.⁷⁴ Between 2005 and 2009, at least seven Marine Harvest workers and contractors died on the job.⁷⁵ Golden Ocean has an “environment” score of 28 and a “water transportation” score of 47 on the CSR Hub. Golden Ocean does not appear on the Dow Jones Sustainability Index.⁷⁶ Marine Harvest has an environment rating of 46 on the CSR Hub.⁷⁷ It does not appear on the Dow Jones Sustainability Index. As a petroleum war profiteer who has benefited from the global expansion of oil trade, Fredriksen’s fossil fuel footprint is immeasurably large and deep.

ELIODORO, BERNARDO & PATRICIA MATTE, CHILE
\$10.4 BILLION [AS OF MARCH 2011]



Wealth: Eliodoro, Bernardo and Patricia Matte are three siblings who share a fortune based on forestry and paper products as well as stakes in telecom, banking and shipping firms. Eliodoro is president of timber giant Empresas CMPC. Brother Bernardo oversees the family's other assets, including a stake in Banco Bice (of which he is president) and Colbun, Chile's second-largest electricity generator. Sister Patricia, a sociologist, is on the board of Instituto Libertad y Desarrollo, a conservative think-tank that analyzes public policies and economic and social issues like poverty.⁷⁸

Power Networks: The Mattes are linked by marriage to the Larrain family and together they form one of the most influential extended families of Chile's conservative elite, with involvement in almost every sector of the economy.

Environment: The family's companies have been involved in Chile's biggest environmental fights of the past decade. In 2003, the U.S.-based environmental group ForestEthics organized a boycott against Chilean lumber and forced the Matte and Angelini groups to sign an agreement to stop logging Chile's native forests and to restrict all plantation logging to land that has not recently been cleared from native woodland. In 2007, Eliodoro Matte participated in a well-publicized series of negotiations with U.S. environmentalist/philanthropist Douglas Tompkins, but little came of the meetings. Tompkins, U.S. and Chilean environmentalists are fighting a major battle against Colbun over the company's plans to build HydroAisen, a huge hydroelectric project that would require running a power transmission line through hundreds of miles of virgin rainforests, including Tompkins' eco-preserve, Parque Pumalin.

Empresas CMPC has an overall Corporate Social Responsibility rating of 53. Its environment rating is 58.⁷⁹ Empresas CMPC is not listed on the Dow Jones Sustainability Index.

SAMMY OFER & FAMILY, ISRAEL
\$10.3 BILLION [AS OF MARCH 2011]



Wealth: Sammy Ofer died on June 3, 2011 at the age of 89⁸⁰ and the future of his wealth is was uncertain at the time of printing this report. At the time of his death, Ofer was considered the richest individual in Israel. With his brother Yuli, he owned a global shipping empire and maintained interests in banking and real estate. The Ofer family’s firms include cruise line Royal Caribbean, Israel Corp., which holds strategic stakes in chemicals, Zim Shipping, Israel Chemicals, Oil Refineries Ltd, Bank Mizrahi-Tfahot, Tower Semiconductor and Zodiac Maritime Agency Ltd. Ofer’s son Eyal runs the real estate and cruise line operations while his brother Idan heads the shipping, technology, energy and chemicals company, Israel Corp. In May 2011, the U.S. State Department sanctioned the Ofer Brothers Group for violating a trade ban by selling a tanker to Iran.⁸¹

Power Networks: In March 2008, Ofer donated £20 million to London’s National Maritime Museum at Greenwich, as part of a £35 million program of expansion. He also donated £3.3 million to help complete the restoration of the Cutty Sark. In November 2008, Queen Elizabeth named him an Honorary Knight Commander of the Order of the British Empire (KBE) in recognition of his involvement with maritime heritage in the United Kingdom.

Environment: Royal Caribbean, like all cruise ships, run on heavily polluting bunker fuel, a major source of greenhouse gases. *USA Today* reports how Ofer’s cruise line, Royal Caribbean, “admitted in court it had installed special pipes on some ships—removed before every scheduled Coast Guard inspection—to bypass pollution-control devices that prevent oily dumping.” Royal Caribbean also confessed to dumping toxic chemicals “used in dry-cleaning, photo processing and other activities.” A Coast Guard aerial-surveillance video from 1994 clearly showed an oil slick trailing behind a Royal Caribbean cruise ship in the waters off Puerto Rico. Faced with irrefutable evidence, Royal Caribbean’s lawyers argued that the U.S. lacked jurisdiction to prosecute since Royal Caribbean is incorporated in Liberia. After a judge dismissed this argument, Ofer’s firm pleaded guilty to 30 criminal charges in Miami, New York, Puerto Rico, Los Angeles, the Virgin Islands and Alaska and agreed to pay \$27 million in fines in 1998 and 1999. Royal Caribbean has since instituted a “companywide Environmental Compliance Program”⁸² and hands out environmental awards—to its own ships.⁸³

Israel Corp.’s environmental score on CSR is 38; Royal Caribbean’s score is 43. Both companies are absent from the Dow Jones Sustainability Index.

SHASHI AND RAVI RUIA, INDIA
\$10.2 BILLION [AS OF OCTOBER 2011]



Wealth: The Ruia brothers preside over the Essar Group, a diversified company with \$15 billion in revenues that has embarked on an expansion drive in all its businesses, including shipping, steel, oil and gas, power and telecom. As part of a global push, Essar Oil has purchased a 50 percent stake in Kenya Petroleum Refineries and is negotiating with Royal Dutch Shell to acquire three refineries (one in Britain and two in Germany) with a total refining capacity of 25 million tons. In November 2010, Essar clinched a \$350 million deal with Dhabi Group’s Warid Telecom to acquire a majority stake in its units in Uganda and the Democratic Republic of the Congo. In 2010, Essar Group sold its network of telecom towers in India to the American Tower Corp. for \$450 million. Also in 2010, Essar acquired Trinity Coal, an American coal-mining firm, for \$600 million. In April 2010, hoping to raise \$2.5 billion, Essar Energy announced it was posting an initial public offering on the London Stock Exchange, making it “the biggest IPO in London.”⁸⁴

Environment: A major investor in oil and coal, the Essar Group and Essar Energy are absent from the Dow Jones Sustainability Index.

LEN BLAVATNIK, USA/RUSSIA
\$10.1 BILLION [AS OF MARCH 2011]



Wealth: Len Blavatnik is the Russian-American owner and president of Access Industries, a diversified company with investments in oil, coal, aluminum, petrochemicals, plastics, telecommunications, media, and real estate in Europe, North and South America. Blavatnik is a co-owner (with Mikhail Fridman and BP) of the Russian oil company TNK-BP. Blavatnik's subsidiary, LyondellBasell Industries, is the world's third-largest chemical company based on net sales. In 2007, Blavatnik purchased a \$50 million Manhattan townhouse from billionaire Edgar Bronfman, Jr., head of the Warner Music Group. In May 2011, Blavatnik's Access Industries purchased Warner Music Group, the world's third-largest music company, for \$3.3 billion.⁸⁵

Power Networks: Blavatnik is a member of the Global Advisory Board of the Centre for International Business and Management at Cambridge University, a board member of the Dean's Advisors at the Harvard Business School and a member of the academic board at Tel Aviv University. A major donor to arts, culture and the sciences, Blavatnik is a supporter of the British Museum, Tate Modern, Royal Opera House, National Portrait Gallery and Museum of Modern Art. In 2010, he announced a multi-year donation of £75 million (\$117 million) to the University of Oxford.

Environment: Residents of Mossville, Louisiana, who suffer from cancers and other health problems, have named Lyondell and several other companies in a complaint that claims their health problems are due to extreme levels of dioxin compounds emitted by 14 local factories.⁸⁶ Access industries is not on the Dow Jones Sustainability Index and has no CSR Hub rating.

ISKANDER MAKHMUDOV, UZBEKISTAN/RUSSIA
\$9.9 BILLION [AS OF MARCH 2011]



Wealth: Iskander Makhmudov is the main owner of copper producer UGMK-Holding and the main owner of KRU, the second-largest Russian coal company. He is a shareholder in Transmashholding, Russia's largest maker of locomotives and rail equipment (in partnership with state-owned Russian Railways and Alstom, the French machine-building giant).

Power Networks: Makhmudov owns 50 percent of Izdatelskiy Dom Rodionova (Rodionov Publishing House), which publishes the Russian version of *BusinessWeek*.

Environment: In 2009, hundreds of residents of Vladikavkaz, a city in the Republic of North Ossetia-Alania, protested against industrial emissions from Makhmudov's Elektrotsink metallurgical plant, which they say covered the city in a grey shroud. Neither UGMK nor Transmashholding appear on the Dow Jones Sustainability Index.

VIKTOR RASHNIKOV, RUSSIA
\$9.8 BILLION [\$11.2 BILLION AS OF MARCH 2011]



Wealth: Victor Rashnikov owns nearly 100 percent of shares of iron and steel producer Magnitogorsk Iron and Steel (MMK) worth \$1 billion.⁸⁷ Rashnikov invests in real estate including the construction of Moscow's 21-story Rossiya Hotel (once the largest in the world) and the 47-floor Wedding Palace. He also owns a 50 percent stake in Moscow's Russia Tower project (a partially built 2,000-foot-tall office building that would be second tallest in world). Rashnikov owns shares in one of Russia's biggest iron ore deposits and, in 2007, he raised \$1 billion by taking MMK public on the London Stock Exchange.⁸⁸

Power Networks: Elected three times to the regional legislature, Rashnikov is a staunch ally of Vladimir Putin.

Environment: During a 2010 meeting he chaired on the steel industry in Chelyabinsk, Prime Minister Putin touted Rashnikov and MMK as exemplary models for environmental friendliness⁸⁹ but the effects of MMK's steel manufacturing plants has condemned the children in the Chelyabinsk city of Magnitogorsk to a lifetime of "breathing sulfur and eating lead."⁹⁰ Magnitogorsk has been listed as one of the planet's 30 most-polluted cities in the 2007 Blacksmith Institute Report.⁹¹ Local hospitals estimated that only 1% of children were in good health and that it was rare to give birth to a healthy baby. In 1992, only 28% of Magnitogorsk's babies were born healthy and only 27% had healthy mothers. Doctors reported a high incidence of lung diseases, including lung cancer, bronchitis and asthma while the Chelyabinsk Ministry of Environment has declared Magnitogorsk an ecological disaster zone. While some cleanup efforts have been made in recent years, steel production had increased significantly and smoke still envelopes the city.⁹² MMK is not on the Dow Jones Sustainability Index.

GERMAN KHAN, RUSSIA
\$9.6 BILLION [AS OF MARCH 2011]



Wealth: German Khan is co-owner of Alfa Group with fellow billionaires Mikhail Fridman (see above) and junior partner Alexei Kuzmichev. Alfa Group is Russia's largest financial and industrial group. Khan is executive director of TNK-BP, the group's oil business. Khan and his partners own the Alfa-Bank (Russia's biggest private bank by capital). The Alfa Group has shares in two Russian cellular companies and owns X5, the country's biggest retailer.

Power Networks: He has been an active supporter of Jewish initiatives in Russia and Europe. Khan makes large contributions to the work of the European Jewish Fund and is a leading member of the Russian Jewish Congress.

Environment: In 2007, Russia's environmental agency found Khan's oil company guilty of violating environmental regulations at its Siberian gas fields where oil flowing from hundreds of breaks in corroded pipelines has blackened the groundwater in the Ob River flood plain. The violations were serious enough to threaten the continued operating license for TNK-BP's massive 1.9-trillion-meter Kovykta gas field. Ironically the reason British Petroleum was brought on as a partner in 2003 was because of BP's promise to introduce environmental protection technology to the Samotlor field, long recognized as one of the worst environmental disasters in Siberia's oil region.⁹³ (See also Mikhail Fridman, above). TNK-BP is absent from the Dow Jones Sustainability Index.

DMITRI RYBOLOVLEV, RUSSIA
\$9.5 BILLION [AS OF MARCH 2011]



Wealth: Dmitri Rybolovlev made his fortune by acquiring the formerly state-owned potash fertilizer company Uralkali during the 1990s privatization in Russia. Until recently, Rybolovlev owned two-thirds of the company. In 2011, Rybolovlev sold his interest in Uralkali to fellow billionaire Suleiman Kerimov and other buyers for \$6.8 billion and a stake in Kerimov's Polyus Gold. In 2008, Rybolovlev bought Donald Trump's Palm Beach mansion, Maison de l'Amitie, for \$100 million. He reportedly lives on the tax-sheltered island of Cyprus.

Power Networks: Rybolovlev is reported to be close the Putin regime and to Nikita Belykh, the governor of the Kirov region.

Environment: In 2006, a flood at the company's largest mine forced the relocation of the residents of a city in the Ural Mountains and cut off a railway line carrying supplies to rival miner Silvinit. Damages were estimated at \$90 million. In 1996, Rybolovlev spent several months in prison for involvement in the murder of an industrialist, although he was later acquitted for lack of evidence. In late 2010, a messy divorce trial revealed that Rybolovlev had dissolved much of his business holdings and it was alleged that he had hidden his assets through banks in Cyprus and elsewhere.^{94 95} Uralkali has substantial sustainability and environment sections on its website⁹⁶ but the company is not on the Dow Jones Sustainability Index

SAVITRI JINDAL, INDIA
\$9.5 BILLION [AS OF OCTOBER 2011]



Wealth: Savitri Jindal is the nonexecutive chair of the Jindal Group, India's biggest steel producer. Founded by Savitri's late husband, Om Prakash Jindal, the Jindal Group is a leading player in mining and coal-to-liquids fuel development. The Jindal Group has expanded its steel, power and mining businesses to various parts of Asia, Africa and Australia. In 2006, Jindal Steel was granted development rights for one of the world's largest iron ore reserves in the El Mutún region of Bolivia. With an initial investment of \$1.5 billion, the company plans to invest an additional \$ 2.1 billion through 2015 to build a steel plant, a gas-fired 450-MW power plant, a sponge-iron factory and iron ore pellet plant.

Power Networks: Savitri is an elected member of the legislature in the state of Haryana. In 1984, the Jindal family established Vidya Devi Jindal School, a residential school for girls in the Harayana city of Hisar. Vidya Devi Jindal's student body is composed of students from India's business and political family.

Environment: The Jindal Group is absent from the Dow Jones Sustainability Index. Jindal Group has posted a relatively detailed, extensive environmental policy on its website.⁹⁷

HAROLD SIMMONS, USA
\$9.3 BILLION [AS OF SEPTEMBER 2011]



Wealth: Harold Simmons is a buyout investor who, through his publicly traded holding company, Valhi, controls five companies: NL Industries (titanium dioxide); Titanium Metals Corporation, the world's largest producer of titanium; Valhi, a multinational company with operations in the chemicals, component products, waste management, and titanium metals industries; CompX International, a manufacturer of ergonomic products; and Kronos Worldwide, a leading producer and marketer of titanium dioxide. The value of Valhi's shares increased 250% between the summer of 2010 and the summer of 2011.⁹⁸

Power Networks: Simmons is a right-wing activist and a major funder of conservative causes. He backed the Swift Boat attacks that derailed John Kerry's presidential campaign, allowing George W. Bush to be re-elected and accelerate and consolidate his policy approach of enshrining fossil fuels and avoiding any commitments on climate. He has been one of Texas Governor Rick Perry's long-time supporters with Texas State disclosure records, listing Simmons as Perry's biggest backer with \$600,000 in contributions.⁹⁹

Environment: NL Industries has major problems with lead pollution spilling from its lead smelters. An EPA study in 2010 indicated that 16 percent of children in Venice, Illinois, and two cities in Wisconsin—Granite City and Madison—were experiencing dangerously high lead levels in their blood due to pollution from an abandoned NL Industries-Taracorp lead smelter and battery recycling plant.¹⁰⁰ Pollution from the NL Industry/Taracorp plant was found to have contaminated 100 square blocks in all three cities, exposing around 1,600 households to dangerous levels of lead. The facility and surrounding neighborhoods are now listed as Superfund Sites.¹⁰¹

CHENG YU-TUNG, HONG KONG
\$9 BILLION [AS OF MARCH 2011]



Wealth: Cheng Yu-tung, heads the Hong Kong-based conglomerate New World Development, with interests in property, infrastructure, transport, retail, hotel, casino, brokerage, and telecom across China and Hong Kong., all of which produce heavy emissions. Cheng is non-executive chair of Lifestyle International Holdings, a department store operator partly owned by fellow billionaire, Joseph Lau. Cheng is a director and major stockholder in Macau gambling billionaire Stanley Ho's Shun Tak Holdings, SJM Holdings and Sociedade de Turismo e Diversoes de Macau. His sons, Henry and Peter, along with grandson Adrian, sit on New World's board.

Power Networks: Cheng serves on the board of the Hang Seng Bank, Hong Kong's third-largest bank. Cheng represents the Kingdom of Bhutan in Hong Kong, serving as the honorary consul for the country.

Environment: New World Development is a major promoter of mega-developments, shopping centers and suburban sprawl in China., where Western-style suburbanization can cause more carbon emissions. New World Development has an environmental score of 42 on CSR Hub. Shun Tak Holdings has an environmental score of 28. SJM Holdings is not listed. All three of the companies are absent from the Dow Jones Sustainability Index.

IGOR ZYUZIN, RUSSIA
\$8.9 BILLION [AS OF MARCH 2011]



Wealth: Igor Zyuzin stepped down as CEO of the mining and metallurgical holding company Mechel in 2011 but he remains the managing director and major shareholder. Mechel consists of more than 20 plants and coalmines in Russia, Romania, Lithuania, Kazakhstan, Bulgaria and the United States. Zyuzin co-founded his first coal-mining operation, Ugletmetkooperatsiya, in 1995. With his partners, he purchased a controlling stake in Chelyabinsk Metals Factory in 2001. In 2009, Zyuzin's company bought the U.S. company Bluestone Coal for \$425 million plus shares.

Power Networks: In 2008, Mechel's stock prices plummeted after the company was harshly criticized by Prime Minister Vladimir Putin—in what appeared to be a behind-the-scenes power struggle. Mechel's stock prices quickly recovered after the company expressed its contrition to Putin.

Environment: Zyuzin's Mechel Bluestone Mining is proposing to build a \$12 million coal-processing plant in Keystone, West Virginia. Mechel already owns and operates several coal mines in West Virginia. Mechel's environmental CSR score is 48. Bluestone Coal and Ugletmetkooperatsi have no ratings on CSR. Mechel, Bluestone and Ugletmetkooperatsiya are all absent from the Dow Jones Sustainability Index.

STEVEN A. COHEN, USA
\$8.3 BILLION [AS OF SEPTEMBER 2011]



Wealth: Steven A. Cohen is the founder and owner of SAC Capital Advisors, a Stamford, Connecticut-based hedge fund that focuses mostly on equity market strategies. SAC Capital charges some of the steepest fees in the business—3% of assets and 35% of profits on most funds. As of September 2011, Capital’s annual returns increased 8% from \$12 billion to \$14 billion.¹⁰²

Power Networks: A major GOP donor that has resulted in leadership that blocks climate solutions at every turn, as well as scoffing at the scientific consensus on climate. In August 2010, Cohen hosted a dinner at his home for major Republican donors and hedge fund managers to strategize about how to help the GOP win the midterm elections.¹⁰³ In previous elections, Cohen’s SAC Capital was a big Democratic donor. One of his primary beneficiaries was Sen. Christopher Dodd, chair of the Senate Banking Committee (the committee in charge of financial regulations). Cohen serves on the Board of Trustees of Brown University and the Robin Hood Foundation, which targets poverty in New York City.

Environment: Cohen is a major oil company investor and increased his petroleum investments in 2010. Oil investments now account for 16 percent of Cohen’s total \$9.7 billion holdings.¹⁰⁴ SAC Capital is absent from the Dow Jones Sustainability Index and CSR Hub.

KUMAR BIRLA, INDIA
\$7.7 BILLION [AS OF NOVEMBER 2011]



Wealth: Kumar Birla heads the international conglomerate Aditya Birla Group. Founded by his great-grandfather, Birla's empire includes 16 companies and joint ventures in India and 22 separate international companies, mostly in Southeast Asia and Canada. The list includes UltraTech Cement (India's biggest and world's eighth largest) and Hindalco, the world's largest rolled-aluminum producer. The group is the world top producer of viscose staple fiber; the world's largest single-location palm oil producer; a globally competitive, fast-growing copper producer; the world's third-largest producer of insulators; the fourth-largest producer of carbon black; India's premier branded garments player; India's second-largest producer of viscose filament yarn; the second-largest private sector insurance company and the fourth-largest asset management company in India.

Power Networks: Birla's family founded and controls the Birla Institute of Technology & Science and the separate Birla Institute of Technology, which are influential engineering schools in India and Dubai. Birla himself seems to be an avid collector of awards, as his Wikipedia page lists several dozen that he has received from various institutions.¹⁰⁵ His company is at loggerheads with the Tata conglomerate over ownership and control of their joint telecom venture. The Birla family's philanthropic arm, overseen by mother Rajashree, is building a 500-bed hospital near Pune, in western India.

Environment: Indian environmental groups call Hindalco a "serial polluter," with hazardous waste emissions from its aluminum and copper factories that include untreated wastewater laced with cyanide and fluoride.¹⁰⁶ Birla's mining subsidiary, Essel, boasts a wind-power division that has been registered with the UN Framework Convention on Climate Change as a "clean development mechanism" under the Kyoto Protocol. This designation entitles Birla's mining operation to claim carbon-credit revenues for a period of ten years.¹⁰⁷ In November 2010, Novelis, a subsidiary of Hindalco, was honored with a Silver Gaia Award at the Big 5 international building and construction exhibition in Dubai. The award recognizes the environmental benefits of the company's pre-painted aluminum cladding sheet, a weatherproof and "recyclable" façade developed to meet the low-carbon requirements of the Masdar City construction project in Abu Dhabi.¹⁰⁸

The Corporate Social Responsibility Hub gives Aditya Birla Group (ABG) an environmental score of 41 while Hindalco receives an environmental score of 38.¹⁰⁹ ABG, Novelis and Hindalco are absent from the Dow Jones Sustainability Index

ALEXANDER ABRAMOV, RUSSIA
\$7.5 BILLION [AS OF MARCH 2011]



Wealth: Alexander Abramov is co-owner of Evraz Holding, Russia's largest steel producer and a major logging company. In 1992, Abramov established a precursor to Evraz Holding and amassed a fortune exporting metals and coal from the Urals and Siberia. Since its founding in 1998, Evraz Holding has become the largest steel-and-iron empire in Russia, employing 125,000 people and controlling about 22 percent of the country's total steel output with an annual turnover of \$20 billion. During the Russian financial crisis in 1998, Abramov bought up steel companies and coal mines at fire-sale prices and purchased a big stake in Unified Energy System, Russia's electric monopoly. In 2006, Russia's richest man, Roman Abramovich (see above), became Abramov's partner in Evraz. In 2007, Evraz made a number of acquisitions, including U.S. firms Claymont Steel Holdings of Delaware and Oregon Steel Mills. Abramov became head of Evraz in December 2008.

Power networks: In recent years Evraz-Holding has emerged as one of the most aggressive vertically integrated business groups in Russia. Its assets include three large steel mills, three coalmines and several ore-enriching plants, as well as a large commercial port, Nakhodka, in eastern Siberia.

Environment: See Roman Abramovich, above.

ALEXEI KUZMICHEV, RUSSIA
\$7.5 BILLION [AS OF MARCH 2011]



Wealth: Alexei Kuzmichev is the co-owner of Alfa Group with fellow billionaires German Khan and Mikhail Fridman (see above). He keeps a very low public profile and almost never speaks to the media. Kuzmichev is the chief of A1, a company that manages Alpha Bank’s assets. Kuzmichev is also in charge of negotiating telecom deals with Nigeria.

Power Networks: In addition to his long-standing friendship with Khan and Fridman, Kuzmichev counts billionaire Pyotr Aven among his closest allies. Aven, who served as Russia’s Minister of Foreign Economic Relations for two years, now heads the Alpha Bank and owns the country’s largest collection of Russian art (although he keeps the most valuable parts of his collection in the UK). Former German chancellor, Gerhard Schroeder, one of the most recent powerbrokers to join the Alpha Group board, has well-established political ties with Prime Minister Vladimir Putin.

Environment: While inequity and poverty increasingly disrupt the lives of the planet’s majority, Moscow has become known as the world’s “billionaire capital,” with more than 100 Russian entrepreneurs now claiming this title. Kuzmichev’s only son, Alexei, holds second place among a growing brood of Russian “child billionaires.” With an inheritance of \$7.1 billion, Alexei stands behind the only child of Lukoil billionaire Yusuf Alekperov (worth \$10.65 billion) and the two daughters of RusAL CEO and Basic Element owner Oleg Deripaska, who are each worth \$6.9 billion. According to the Russian magazine *Finans*, Russia’s ranks of billionaire offspring increased 50% in 2010, with their aggregate wealth doubling in the same period. Russia’s top ten billionaires doubled their wealth in 2010. ¹¹⁰

RUPERT MURDOCH, USA
\$7.4 BILLION [AS OF NOVEMBER 2011]



Wealth: Rupert Murdoch inherited his first newspaper when he was only 23. Today, as the founder and CEO of News Corporation, the world's third-largest media conglomerate, Murdoch and his sons head one of the world's most powerful and profitable global media empires. In 2010, Murdoch's U.S.-based Fox News brought in \$700 million in operating profits.

Power Networks: Murdoch is the force behind Fox News and a major contributor to the Republican Party, conservative think tanks and rightwing causes. Murdoch owns newspapers in the U.S., UK, Ireland, Australia, Fiji and Papua New Guinea. Murdoch owns the influential *Wall Street Journal*, the largest-circulation newspaper in the U.S. He owns and operates TV and radio channels in dozens of countries. In June 2010, Murdoch's News Corp donated \$1 million to the Republican Governors Association.¹¹¹ Along with the Koch Brothers, Murdoch completes the powerful triad that quietly funds the Tea Party movement.¹¹²

Environment: Murdoch claims he is not anti-environment. While Rush Limbaugh and his Fox News brethren dismiss Global Warming as "the biggest hoax ever perpetrated on the American people," Murdoch has made a point of insisting that his corporation is sensitive to climate change and that he personally believes climate change is real and will be "catastrophic" if left unchecked.¹¹³ At times, Murdoch even sounds like an environmental activist, as when he declared: "Our audience's carbon footprint is 10,000 times bigger than ours. That's the carbon footprint we want to conquer."¹¹⁴

News Corp. has a CSR environmental score of 48 but the company is absent from the Dow Jones Sustainability Index.

PHILIP ANSCHUTZ, USA
\$7 BILLION [AS OF SEPTEMBER 2011]



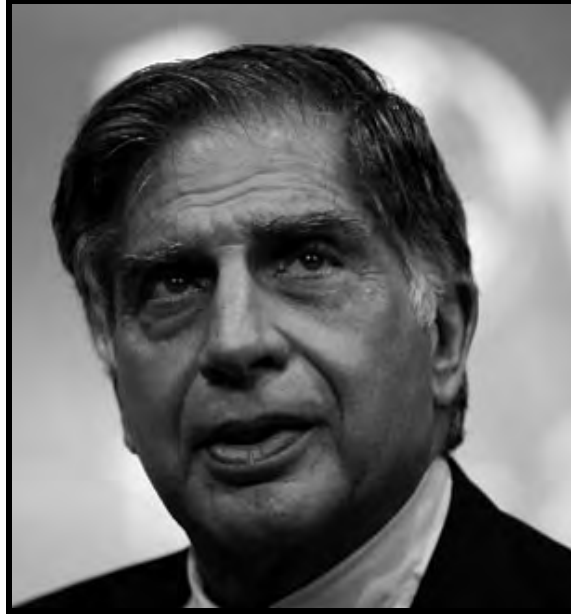
Wealth: Philip Anschutz has built his fortune on railroads, oil, telecom and entertainment. In 2010, he earned \$2 billion from the sale of his gas and oil fields. His full or partial holdings include:

- Qwest Communications, a telecommunications carrier in 14 western U.S. states.
- Union Pacific Railroad.
- Regal Entertainment Group, the largest movie theater chain in the world.
- Anschutz Company, which has stakes in five U.S. soccer teams, including the MLS's San Jose Earthquakes, Los Angeles Galaxy, Chicago Fire and Colorado Rapids; the NHL's Los Angeles Kings; the NBA's Los Angeles Lakers; the Staples Center and the Kodak Theater in Los Angeles; and the London Arena.
- Forest Oil: oil and natural gas, primarily in the Gulf of Mexico, Alaska and Western Canada.

Power Networks: Anschutz has given millions of dollars to conservative Republican candidates, resulting in leaders that have consistently killed climate legislature. He spends millions more every year to subsidize his Clarity Media Group, which includes the *San Francisco Examiner*, *Washington Examiner*, *Examiner.com*, *Weekly Standard* and other publications—all of which are money-losing and aggressively conservative. Anschutz is an active patron of religious and conservative causes, including: the Discovery Institute, a Seattle-based think-tank that criticizes evolution and promotes the concept of “intelligent design;” the Parents Television Council, a group that protests “indecentcy” on television; and Foundation for a Better Life, which he founded in 2000 with a \$700 million endowment to deliver a feel-good, family-values message to the American populace.

Environment: The Discovery Institute is a major global-warming denier but Anschutz is hedging his bets. While the Anschutz Corp. is heavily invested in oil and gas, Anschutz also is developing a 2,000-MW, 100,000-acre wind farm in southern Wyoming and a 3,000-MW, 900-mile-long transmission line to bring its power to customers in Southern California, Las Vegas and Phoenix.¹¹⁵

RATAN TATA AND FAMILY, INDIA
\$7 BILLION [AS OF MARCH 2011]



Wealth: Ratan Tata currently heads the Tata Group, India's largest conglomerate (he is set to retire after 2012). The Tata Group comprises 114 companies and subsidiaries in chemicals, steel and automobiles (including the Jaguar, Land Rover, and Tata's signature creation, the low-priced Nano mini-car). Tata also is deeply invested in information technology, communication, power, tea, hotels and tourism in more than 80 countries across six continents. Tata's diverse companies export products and services to 80 nations.

Some of the Tata Group's major holdings include Tata Steel (including Tata Steel Europe), Tata Motors, Tata Consultancy Services, Tata Technologies, Tata Tea (including Tetley), Tata Chemicals, Titan Industries, Tata Power, Tata Communications, Tata Teleservices and the Taj Hotels.

Ratan Tata is not on the Forbes billionaire list because he personally holds less than \$1 billion of the group's shares. Tata Group's 96 companies are held by its main company "TATA Sons" and the main owner of this entity is not Ratan Tata but various charitable organizations developed and run by the TATA Group. The assets of this collection of 96 companies is estimated to range between \$50-\$75 billion.

Power Networks: Ratan Tata is a member of India's Central Board of the Reserve Bank and a Member of the Prime Minister's Council on Trade and Industry. In addition to being a member of various global councils, Tata also chairs two of the largest private-sector philanthropic trusts in India. The Tata family belongs to the Parsi community (or Zoroastrians of Persian origin), a tiny but influential minority in India.¹¹⁶

Environment: Tata is responsible for the creation of the Nano, the fuel-efficient, super-low-cost, semi-eco-friendly "people's car" that was launched in 2009.

KUSHAL PAL SINGH, INDIA
\$6.5 BILLION [AS OF OCTOBER 2011]



Wealth: Kushal Pal Singh is the world’s richest real-estate developer. He is the owner and CEO of DLF Limited, India’s largest real estate developer, and chair and director of 31 different private companies engaged in various sectors of the global economy. Singh was the chief developer of Gurgaon—a suburb and satellite city of New Delhi known as the “call-center capital of the world” and the “shopping-mall capital of India.”

Power Networks: Singh is president of the Associated Chamber of Commerce and Industry of India and Director of the Central Board, Reserve Bank of India.

Environment: A major force in the fast-growing suburban sprawl of India, Singh’s specialty is buying cheap farmland, evicting the poor farmers and using the land to develop shopping malls, housing and office parks. DLF is not listed on the Dow Jones Sustainability Index.

SILVIO BERLUSCONI, ITALY
\$6.2 BILLION AS OF NOVEMBER 2011



Wealth: Ex-Prime Minister Silvio Berlusconi's main company, Mediaset, comprises three national television channels together that collectively cover approximately a half of the national television sector. Berlusconi also owns Publitalia, the leading Italian advertising and publicity agency and Arnoldo Mondadori Editore, Italy's largest publishing house, whose publications include *Panorama*, one of the country's most popular news magazines. His brother, Paolo Berlusconi, owns and operates *il Giornale*, a center-rightwing newspaper that provides a strong pro-Berlusconi slant on Italy and its politics. *Il Foglio*, one of Italy's most influential rightwing newspapers, is partially owned by Silvio's former wife, Veronica Lario. Berlusconi is also the founder and major shareholder of Fininvest, which is among the ten largest private companies in Italy. Berlusconi also is active in the world of finance. With Ennio Doris he founded Mediolanum, one of the country's biggest banking and insurance groups. He has interests in cinema and home video distribution (Medusa Film and Penta Film) and he is the owner of A.C. Milan, known to soccer fans the world over as one of Italy's most decorated football teams.

Power Networks: Despite his preeminence as the conservative prime minister of Italy, Berlusconi has been confronted by numerous legal battles over alleged corruption, links to organized crime, conflicts of interest, bribery, perjury and prostitution. Berlusconi is closely linked with Russia's Vladimir Putin. He has protected the CIA in its legal battles in Italy and has strongly supported U.S. foreign policy and Washington's military occupations of Iraq and Afghanistan.

Environment: Berlusconi has opposed European Union plans to cut greenhouse gas emissions—unless Italian industry receives special concessions. In 2009, Berlusconi agreed to give crucial backing to Prince Charles' rainforest-protection project at the G8 Summit.¹¹⁷ Berlusconi is pushing ahead with plans to permit offshore drilling just five kilometers off the coastline of the rural region of Abruzzo, despite warnings that drilling operations could risk an environmental disaster from a blowout located much closer to land than the BP spill that devastated the Gulf of Mexico.¹¹⁸ Fininvest is not included on the Dow Jones Sustainability Index.

ANIL AMBANI, INDIA
\$5.9 BILLION [AS OF OCTOBER 2011]



Wealth: Anil Ambani and older brother Mukesh inherited a fortune from their late father, industrialist Dhirubhai Ambani. The brothers started squabbling and, in 2005, their mother brokered a peace settlement that broke up the family's assets. Brother Mukesh now heads Reliance Industries Ltd. while Anil's Reliance Anil Dhirubhai Ambani Group (aka Reliance Group) has interests in telecom, power, infrastructure, financial services and entertainment. Despite the 2005 settlement, the brothers continue to squabble: Anil and Mukesh have since become embroiled in a gas supply dispute.

Anil's Reliance Power plans to build 13 power plants for \$25 billion by 2014. The Reliance Group's infrastructure arm is investing \$5 billion in new roads and metro transit systems to be completed by 2012. Anil's entertainment unit has committed \$825 million to Steven Spielberg's DreamWorks Studios to coproduce films (the first one reportedly will be a movie based on the life of Rev. Martin Luther King Jr.). Anil Ambani is also bidding to purchase the debt-burdened MGM studios. He is a marathon runner and his wife, Tina, oversees a hospital in Mumbai named after his mother.¹¹⁹

Power Networks: Anil Ambani created a controversy when he went public with the allegation that India's Petroleum Minister was partial to Mukesh's Reliance Industries. The government has denied any favoritism and the matter awaits a final judgment by India's Supreme Court.

Environment: The Reliance Group has a "corporate social responsibility" statement on its website that claims environmental concerns are included in each critical business decision.¹²⁰ However, the Reliance Group does not appear on the Dow Jones Sustainability Index.¹²¹

DOROTHEA STEINBRUCH & FAMILY, BRAZIL
\$5.8 BILLION [AS OF MARCH 2011]



Wealth: Dorothea Steinbruch and her children control one of Brazil’s largest steelmakers, the formerly state-owned Companhia Siderurgica Nacional. The Steinbruch family also controls Banco Fibra and the mining giant Companhia Vale do Rio Doce, which has forest-destroying activities throughout Amazonia, the planet’s “lungs” that are so crucial for climate stability. CSN was co-owned with the Rabinovitch family until 2005, when Steinbruch purchased the Rabinovitch’s stake for a reported \$590 million. While Steinbruch is Brazil’s richest woman, she is not directly involved in the operations of CSN but she is involved in Vicunha Textile, Brazil’s largest textile company. Vicunha has recently begun to set up operations in Asia. Dorothea’s son Benjamin serves as chief executive of CSN while his brother Ricardo is chairman of the board at Banco Fibra.

Power Networks: The family appears to take a low political profile.

Environment: Brazilian government environmental authorities have repeatedly fined CDN for pollution, including oil and chemical spills. The firm is considered one of the largest polluters in the state of Rio de Janeiro.¹²²¹²³ CSN is not on the Dow Jones Sustainability Index and has no CSR Hub rating.

ROBERT ROWLING, USA
\$4.7 BILLION [AS OF SEPTEMBER 2011]



Wealth: Robert Rowling is heir to his father’s Texas oil fortune. Rowling’s TRT Holdings include the Omni hotel chain (which includes 15,000 rooms in 50 locations), Gold’s Gym fitness centers, oil and gas production (including Tana Exploration), financial and energy stocks. Rowling also owns a fifth of the downtown real estate in Corpus Christi and draws added revenue from a chain of Mexican dollar stores.

Power Networks: Rowling is a prodigious conservative fund-raiser, empowering and electing many mobers of Congress who have been key to killing climate legislation. He has given more than \$2 million to Karl Rove’s American Crossroads, a “super PAC” that bankrolled GOP campaigns during the November 2010 elections. Rowling also provides financial support to Progress for America, a group that backed George W. Bush’s re-election campaigns. Rowling keeps a very low profile, and reportedly his photo has never appeared on the front page of the Dallas newspapers.¹²⁴ While Rowling’s Gold’s Gym chain profits by appealing to gay customers, Rowling redirects these profits to some of the GOP’s most anti-gay politicians.¹²⁵ Rowling has given \$129,271 to Texas Governor Rick Perry.¹²⁶

Environment: TRT Holdings is expanding its oil and gas exploration activities in the Gulf of Mexico through its Tana Exploration Company LLC. In 2006, Tana was fined \$165,000 when it was determined that a gas/condensate leak from one of its wells occurred because both the primary and secondary surface safety valves meant to prevent leaks had been “improperly bypassed.” The resulting overpressure caused the pipeline to rupture.¹²⁷

ANIL AGARWAL, INDIA/U.K.
\$3.5 BILLION [AS OF OCTOBER 2011]



Wealth: Anil Agarwal is the founder and chair of Vedanta Resources Corporation, an international mining and metals company headquartered in London. It is the largest mining and non-ferrous metals company in India and also has mining operations in Australia and Zambia. The company's main products are copper, zinc, aluminum, lead and iron ore. Vedanta is also developing two huge coal-fired power stations in India. Agarwal's attempt to buy a 60% stake in Cairn India (owner of the country's biggest onshore oil field) for an estimated \$9.6 billion were blocked after objections were raised by ONGC, the state-owned oil exploration company.¹²⁸

Power Networks: Agarwal has a number of powerful friends in Delhi, including Home Minister P. Chidambaram. Acknowledged as one of the country's smartest and most powerful politicians, Chidambaram has been one of the most effective agents in the move to "modernize" the country. A radical socialist in his student days, Chidambaram is now an advocate of the Free Market. Chidambaram has been a fervent supporter of Agarwal's mining operations, despite Vedanta's repeated citations for violating environmental laws. Chidambaram once served under Agarwal as a director on Vedanta's board and, in 2003, he defended Agarwal's Sterlite Industries on tax-evasion charges before the Mumbai High Court.¹²⁹ Even without Chidambaram's support, Agarwal's repeated claims that he intends to make India the world's leading miner, has made him an appealing figure to many in government.

Environment: Vedanta has been strongly criticized by human rights and activist groups (including Amnesty International) due to their planned mining and smelting operations in the Indian state of Orissa. Constructing and operating the site in Niyamgiri Hills would threaten local tribes people and wildlife.¹³⁰ In January 2009, thousands of locals formed a human chain around the Niyamgiri Hills to protest plans to start bauxite mining in the area. India's environment ministry ultimately denied Vedanta's permit to mine bauxite in Eastern India after a government report concluded the project it would harm local tribal people. Vedanta's Alumina Refinery in Lanjigarh also was critiqued by the Orissa State Pollution Control Board for causing air pollution and water pollution. Various Indian government institutions have begun strongly criticizing the company.

In 2010, the Church of England sold its holding in Vedanta Resources citing the company's low level of respect for human rights. Other institutions that have divested their Vedanta stock include the Joseph

Rowntree Charitable Trust, the Marlborough Ethical Fund, Millfield House Foundation and the BP Pension Fund. The British and Norwegian governments have both condemned the Niyamgiri Hills project, and Martin Currie Investments has also disinvested following pressure from Survival International.

In September 2010, the Madras High Court ordered Sterlite to close its copper refinery at Tuticorin in the southern Indian state of Tamil Nadu, owing to violations of environmental laws.¹³¹

Vedanta Resources' environmental score on the CSR is 61. Sterlite Industries' score is 69. Both are absent from the Dow Jones Sustainability Index.

ABURIZAL BAKRIE & FAMILY, INDONESIA \$2.1 BILLION [AS OF 2010]



Wealth: Aburizal Bakrie's family's Bakrie Group conducts business in agriculture, real estate, trade, shipping, banking, insurance, media, manufacturing, construction, and mining. The family-owned PT Bumi Resources Mineral, Indonesia's largest coal-mining company, is valued at around \$3 billion.¹³² In November 2010, the Bakrie family swapped its coal mining shares with a member of the Rothschild banking clan, in a \$3 billion deal to gain control of Vallar PLC, Rothschild's mining investment group.¹³³

Power Networks: The family business is one of Indonesia's most influential. Aburizal Bakrie is now president of Indonesia's ruling Golkar Party and is likely to become the next Indonesian president in the 2014 elections. In November 2009, the Bakrie Group purchased a 24% stake in PT Newmont Nusa Tenggara, a copper-and-gold mining company and signed a second deal to purchase 14 percent of another mining company, Newmont Nusa Tenggara. *The Jakarta Post* observed these purchases provided "yet more proof of how powerful the politically wired conglomerate has become."¹³⁴

Environment: In 2006, PT Lapindo Brantas, one of the Bakrie Group's mining companies, was responsible for Indonesia's worst environmental disaster. While searching for a natural gas deposit in the Sidoarjo region of East Java, the company's digging triggered a natural gas blowout that unleashed a devastating "mud volcano," the largest on record. The mud drove 13,146 families from their homes and buried roads and

farmlands. The mud continues to flow unchecked—at a rate of 30,000 cubic meters of foul-smelling mud each day. At the time of the disaster, Aburizal Bakrie was serving as Indonesia’s Minister for Welfare and it is believed that he avoided legal responsibility thanks to widespread bribery. Bakrie’s Golkar Party now hopes to have the disaster area declared a “geological tourist attraction.”¹³⁵ In September 2011, the Indonesian government offered to pay \$127 million to victims of the mudflow “until the responsible party... is able to pay.”¹³⁶

BRADLEY WAYNE HUGHES, USA
\$1.8 BILLION [AS OF SEPTEMBER 2011]



Wealth: B. Wayne Hughes is currently the vice president of American Commercial Equities. Hughes started in real estate and built a fortune by starting the first successful self-storage business. Today, Public Storage boasts more than 2,100 sites in the U.S. with an additional 135 million square feet of storage space available for rent in Europe. Hughes was CEO for Public Storage until his retirement in 2002. His family owns 17 percent of the company and his son and daughter sit on the board.

Power Networks: Hughes is a major conservative funder who has given millions of dollars to Karl Rove’s American Crossroads, which used the money to help finance GOP campaigns in the November 2010 elections that ushered in the Tea Party’s takeover of Congress. That was also the year when one of the United States’ most progressive congressional leaderships came close to passing the country’s first comprehensive climate legislation, but was still outmaneuvered by its well-funded opponents. Hughes also supports the tax-exempt Progress for America, a group whose affiliated Voter Fund poured millions of dollars into both of George W. Bush’s presidential campaigns. (The Federal Elections Committee subsequently ordered the Voter Fund to pay a \$750,000 civil penalty for violating campaign finance laws during the 2004 presidential election.)¹³⁷ In the 2010 midterm elections, Hughes contributed \$1.6 million to the Republican campaigns¹³⁸ and also gave \$2.3 million to American Crossroads to spend on campaign ads.¹³⁹

Environment: American Commercial Equities and Public Storage have no CSR ratings and are absent from the Dow Jones Sustainability Index.

CARL LINDNER, JR. & FAMILY, USA
\$1.7 BILLION [AS OF MARCH 2010]



Wealth: Carl Lindner started his first business in 1940 when he opened an ice cream parlor with his two brothers. The ice cream shop grew into the United Dairy Farmers chain with nearly 200 stores in the Midwest. By 1971, Lindner had expanded into banking, investments and insurance. Lindner once owned a controlling interest in Chiquita Brands but today, most of his holdings are concentrated in the American Financial Group (AFG), which sells property and casualty insurance. Lindner is a part owner of the Cincinnati Reds baseball team. The last time Lindner was on the Forbes 400 list of America's Richest People was in 2009, when he had a net worth of \$1.75 billion.¹⁴⁰

Power Networks: Lindner is a major conservative funder, consolidating the power of anti-climate politicians. In the 2008 Presidential race, he was a supporter of Republican candidate Mitt Romney. AFG donated \$400,000 to American Crossroads during the 2010 midterm elections.¹⁴¹ AFG is a top donor to Rep. John Boehner's Speaker Fund and ranked second behind AT&T for individual donations according to campaign reporting records for September 2011.¹⁴²

Environment: AFG has a CSR Hub environmental score of 38. The company does not appear on the Dow Jones Sustainability Index.

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KOCHTOPUS Influence of Koch Cash

— KOCHTOPUS —



Industry areas: oil, gas, tarsands, refining and chemicals, fertilizers, forests, ranching, commodity trading and services

Professional press people and news outlets create a positive media coverage that favors their ideologies

MANIPULATORS **MEDIA** **\$**



to promote an ideology and policy proposals for less government for protecting people and the planet but more rights for corporations and investors

THINK **\$**
TANKS

- \$9,674,594
- \$1,979,000
- \$13,897,640
- \$4,115,571
- \$12,356,712
- \$5,610,781

ASTROTURF **\$**
ORGANIZATIONS

fake citizens' activist groups to project a public appearance of grassroots or popular support for ideas and policies that benefit corporations



Creates propaganda against healthcare and climate change

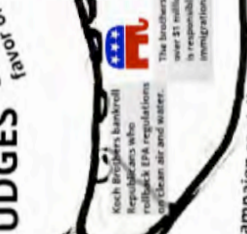
INCOME **\$**
DEFENSE **INDUSTRY**



More than half of their budget is Koch Industries

CONGRESS & LEGISLATORS **\$**

enable like-minded candidates to get elected, or influence legislators to pass favorable laws



Koch Brothers Bankroll Republicans who roll back EPA regulations of clean air and water. The brothers have funded more than 27 bills in ALEC which are favorable to ALEC members. ALEC

COURTS & JUDGES **\$**

appointed by like-minded elected officials to rule in favor of corporations



The story of Citizens United v. Federal Elections Commission

private military contractors or police, military, and business
to combat civil unrest against



Supreme Court Justices Scalia and Roberts have ruled that it is unconstitutional to limit corporate spending in elections

GROUPS ON THE GROUND GRAPPLING WITH THE TENTACLES OF KOCH CASH

1. SIERRA CLUB
2. BLUE GREEN ALLIANCE
3. 350.ORG
4. DESMOBLOG.COM
5. FRIENDS OF THE EARTH
6. CENTER FOR BIOLOGICAL DIVERSITY
7. INDIGENOUS ENVIRONMENTAL NETWORK
8. RUCKUS SOCIETY
9. GREENPEACE
10. OCCUPY
11. ALTERNET
12. INSTITUTE FOR POLICY STUDIES
13. CENTER FOR AMERICAN PROGRESS
14. CENTER FOR MEDIA AND DEMOCRACY
15. ALEC EXPOSED
16. COMMON CAUSE
17. CREDO
18. THE OTHER 98%
19. IFC
20. POLARIS INSTITUTE
21. HEALTH CARE FOR AMERICA NOW
22. CENTER FOR PUBLIC INTEGRITY
23. BRAVE NEW FOUNDATION
24. ALLIANCE FOR DEMOCRACY
25. AFL-CIO
26. GRASSROOTS GLOBAL JUSTICE
27. GLOBAL ALLIANCE FOR RIGHTS OF NATURE

KOCHTOPUS

THE KOCH'S CAPTURE OF DEMOCRACY



Anyone who tries to comprehend the contemporary political processes in the United States will come across billionaires such as the Koch brothers. Charles and David Koch's combined wealth ranks them third on the Forbes global list after Carlos Slim and Bill Gates, and they own America's 2nd largest privately held company, Koch Industries. They use their immense wealth to influence democratic decision making at all levels of policy making by funding political action committees, think tanks, right wing political movements, and individual politicians, advancing their own political agenda of less regulation and limited government. They also happen to sit on a family fortune built by fossil fuels (see intro by Menotti).

The Koch brothers use this influence network to pursue their libertarian agenda in almost every level of government. In the 1980 presidential election, David Koch ran against Ronald Reagan as the vice presidential candidate of the Libertarian Party, sharing the ticket with presidential candidate Ed Clark. Whether they are spending millions on lobbyists, contributing millions to astroturf organizations, or creating think tanks to advocate their right wing agenda, their political ideology is persistent.

Charles and David Koch would prefer to keep their influence network hidden. Recent research and investigative reporting has exposed the enormous reach of their network, but rarely has it been presented as it is here: a full-fledged multi-pronged entity that has captured the key institutions of American democracy. This conceptual tool aims to identify and explain the methods of control exerted by the Koch network.

WHO THEY ARE

- According to the Forbes 2011 global billionaires list, their combined wealth of \$50 billion ranks them third behind billionaires Carlos Slim of Mexico (\$74 billion) and Bill Gates (\$59 billion). Their father Fred founded the “cracking” process that turns crude oil into gasoline, thus their wealth is inextricably linked to green house gas emissions. Koch Industries has investments in minerals, ranching, oil and gas, polymers and fibers, refining and chemicals, fertilizers, forest and consumer products, commodity trading and services.
- In many of today's attacks on the environment, labor workers, health care, and financial reform the Koch Brothers have been involved. The methods of control that they use to influence our democratic decisions act as a “full-spectrum” dominance on policy making.
- The Cato Institute is one of a few radical right think tanks founded by the Koch brothers. This think tank promotes free enterprise, deregulation of government, and “secures economic liberties”. In addition, the Cato Institute has been a major donor to Americans for Prosperity, which boasts about building the Tea Party. This influence not only furthers their right wing ideology but also allows them to make more money. Charles and David Koch have much to gain from cutting government spending and electing candidates who are against regulation, especially emissions regulations.

The Kochs have been spreading their anti-democratic agenda and it has become an infectious disease to our environment, labor unions, healthcare, and government. Understanding their methods of control is the first step in making a cohesive effort in reclaiming our democratic processes.

WHEN WEALTH EQUALS POWER

The simplest way of making a fortune is to inherit one. Small or non-existent estate taxes in most countries means that vast fortunes can be accumulated over time and passed down from generation to generation. The brainchild behind Koch Industries Inc. was Fred C. Koch, father of David and Charles. In 1945 Fred Koch established Koch Engineering Company. This small start-up immediately became successful with its equipment and engineering business. In 1966, Charles took over the day-to-day management of Koch Industries Inc. He is the chief executive officer and David is the vice president. Today Koch Industries Inc. is the second largest private company in the United States. In the past sixty-five years Koch Industries Inc. has achieved this feat because of its pursuit of growth and new opportunities with complete disregard of everyone else.

In this increasingly globalized world oligarchs are able to establish corporations in a very short period of time. Thus these corporations are able to amass a significant amount of wealth. This wealth accumulation is too often used to contribute to electoral campaigns for like-minded or to establish think tanks to create justification for policies that they want implemented in our society.

Koch Industries made annual earnings of \$100 billion dollars in 2010. With this enormous influx of money, their political influence in the House Energy and Commerce Committee is transparent. Koch donations have outspent that of big energy companies such as Exxon Mobil. Charles and David Koch want to reap the benefits from a proposed Keystone XL pipeline that will transfer oil from the tar sand mines in TransCanada's home province of Alberta to Gulf of Mexico oil refineries. The Koch brothers' Flint Hills resources operation in Calgary already refines 80 percent of heavy crude from Alberta's tar sands. Koch Industries lobbyists wrote to Canadian authorities expressing their substantial interest in Keystone XL pipeline being approved.

METHODS OF CONTROL THAT OLIGARCHS USE TO GAIN POWER

- **Think Tanks:** There are four conservative think tanks that the Koch brothers have donated a significant amount of money to; they are the Cato Institute (\$13,887,640), Citizens for a Sound Economy (\$12,356,712), George Mason's Mercatus Center (\$9,674,500), and Americans for Prosperity Foundation (\$5,610,781). These organizations are the top right wing think tanks for promoting a conservative agenda. They promote free enterprise, deregulation of government, and secure economic liberties, which is another way of saying more rights for corporations.
- **Media Manipulation:** In October 2010, ThinkProgress.org exposed a political action meeting held by the Koch Brothers in Aspen, Colorado. The attendees of this meeting were businesses, political elites, and major media outlets. Some of the major media outlets that attended the meeting were Glenn Beck (Fox News), Stephen Moore (Wall Street Journal), and Philip Anschutz (Clarity Media

Group). Kochfacts.com is another entity where Koch media is created to fight public scrutiny. According to their website, “This site is a repository for media responses and factual information presented by Koch Industries, Inc.” This site is their effort to explain “factual evidence” of how Koch Industries is not a terrible corporation. It is crucial to understand that the individuals who are creating these “facts” are employees of Koch Industries Inc. They believe in the political agenda that the Koch brothers portray.

- **Astroturf Organizations:** Bankrolling the radical rights economic agenda has been a tradition in the Koch family for decades. In 1958 Fred Koch was one of the founders of the John Birch Society, an American political advocacy organization that “supports anti-communism, limited government, a Constitutional Republic, and personal freedom.” In 1984 David Koch established Citizens for a Sound Economy, whose sole mission is to fight for less government, lower taxes, and less regulation. However, in 2004 Citizens for a Sound Economy split into two entities: Freedom Works and Americans for Prosperity. The Koch’s remain active in Americans for Prosperity and the individual in charge of FreedomWorks is Dick Armey (Republican Party GOP House majority Leader from 2003 to 2005). The Koch brothers use Americans for Prosperity to stimulate the Tea Party, and AFP organized the first national Tea Party movements in 2009. These organizations have the ability to mobilize, educate, and train people. From Koch donations, American for Prosperity was able to create a \$5 million anti-healthcare campaign.
- **Income Defense Industry:** A political action committee of Koch Industries, KochPAC (Koch Political Action Committee), has played a tremendous role lobbying in Washington D.C. Lobbyists of Koch Industries have spent much of their time shaping new policy for financial regulation. The Dodd-Frank Act was passed by Congress under the Obama Administration “to craft new rules to subject traders in the energy industry to increased regulation and transparency” according to the Koch Web of Influence by John Farrell. Congress and regulators are still detailing the necessary changes to implement this new law and Koch lobbyists have spent a considerable amount of time shaping the bill. A few weeks, after the bill was passed, Koch lobbyist Gregory Zerzan held a covert meeting with SEC Commissioner Troy Paredes and his counsel, Gena Lai to see how the government would apply the law. According to Greenpeace’s 2011 update report of Koch Industries, the KochPAC spent \$2,645,589 in 2009-2010. KochPAC is also the number one oil and gas contributor in the U.S., out spending Exxon Mobil. American oligarchs use many specialized professionals to prevent wealth from being taken, and their income defense industry is comprised of lawyers, accountants, wealth management consultants, tax avoidance consultants, and lobbyist. When oligarchs hire them, their main purpose is to defend as much wealth as possible, and only oligarchs would have enough wealth to purchase these services. The industry is global, some of the key players are Whithers, Clifford Chance, Linklaters, White & Case, Milbank Tweed Hadly and McCloy, Weil Gotshal and Manges, and Freeman Freeman and Smiley are known as the “magic circle” firms.
- **Legislatures and Elected Officials:** Mike Morgan, the previous Director of Public and Governmental Affairs of Koch Industries, played a significant role in promoting legislation for the Koch brothers. As of December 2011, Mike Morgan still sits on the Private Enterprise Board of the American Legislative Exchange Council (ALEC). ALEC is an organization that promotes limited government, free markets, and federalism. According to the American Association for Justice,

“ALEC campaigns have covered many issues, but all have either protected or promoted a corporate revenue stream.” ALEC has proposed legislation that benefits Koch Industries and is undermining climate change proponents. Major campaign contributions from the billionaire brothers can be seen in the makeup of the House Energy and Commerce Committee. Koch Industries is the largest oil and gas donor, giving \$279,500 to 22 Republicans on the committee and \$32,000 to five of its Democrats, according to the Los Angeles Times. In 2010 KochPAC gave political donations to freshman members of Congress, such as Gardner Cory (R-CO) \$10,000, Griffith Morgan (R-VA) \$5,000, and Pompeo Mike (R-KS) \$10,000.

- **Courts and Judges:** *Citizens United v Federal Elections Commission* is a landmark case that will go down in history for poisoning our electoral process. This case has allowed corporations to flood our political marketplace and corrupt our democracy and the Koch Brothers themselves played a significant role in enabling this case to advance. Three years ago, Supreme Court Justices Thomas and Scalia attended a political retreat organized by Charles and David Koch in Palm Spring California for wealthy conservatives. There is more speculation that Justice Thomas stayed on a four-day retreat which was paid by the Federalist Society. The Citizens United case that was supported by Justice Scalia allowed corporations to spend limitless amounts of money on elections with little public disclosure.

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UNCLE SLIM: THE WORLD'S RICHEST MAN

TONY CLARKE, SABRINA FERNANDES, RICHARD GIRARD



INTRODUCTION

We've all heard about Uncle Sam but now it's time to learn about Uncle Slim. In a world of rising inequalities between rich and poor, Mexico is one of the most unjust countries—a place where a small political and economic elite controls much of the power while more than half the population lives in poverty. The main protagonist in this club of power brokers is Carlos Slim Helú who, according to *Forbes Magazine's* annual rankings, is the world's wealthiest person. Called a quiet investor by some and a robber baron by others, Slim more than doubled his net worth between 2008 and 2010 from \$35 billion to \$75 billion. While Slim's financial girth was swelling, Mexico's GDP shrank by 6.1% in 2009 alone. In the ten years to 2010, Slim's wealth grew by an amazing 585%¹ catapulting him to the top of the list of the world's richest people. During the same decade, the average personal income in Mexico only grew by 0.6% a year, one of the lowest rates in the world.² If he were a country, Slim's wealth would place him 64th on the list of national GDPs between Libya and Sudan.

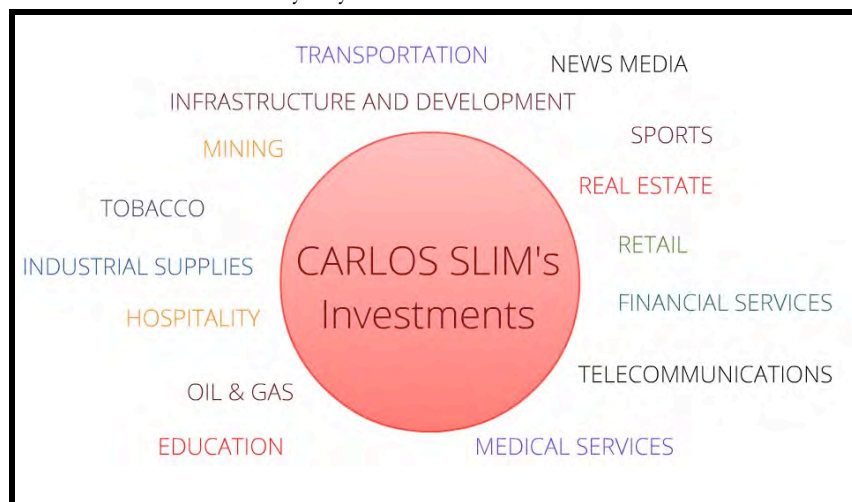
He has been able to amass an empire of at least 222 companies around the world³ employing an estimated 250,000 people⁴ with combined annual revenues topping \$386 billion.⁵ The size of this empire is so extensive that Slim is hesitant to confirm the number people his companies employ.⁶ One puzzling factor is that this wealth has been accumulated by a man who retains relative anonymity outside the world of financial observers and the geographic areas of Mexico and Latin America. Unlike Bill Gates, Slim is not associated with a single product or corporation, so how has the world's richest person been able to generate such astounding wealth and power without broader public scrutiny?

Despite his relative obscurity there is no real mystery as to how Slim has been able to amass and continue to build his fortune. The simple explanation is that Slim is a classic monopolist—he controls leading companies in dozens of industries that are responsible for 7.1% of Mexico’s \$1.04 trillion Gross Domestic Product. According to a *New York Times* editorial, Slim’s output is equivalent to “one out of every 14 dollars’ worth of stuff made by all the people in the country.”⁷ The scope of his investments is so large that, over four days of stock market instability in July-August 2011, his net worth went down by an estimated \$8 billion due to an 11% decline in his stock portfolio.⁸ With a population of 112 million and the second-largest economy in Latin America (14th in the world), Mexico is a huge market for any companies that can gain access. Slim and his companies have been able to fully exploit this huge market and, in the case of the lucrative telecommunications sector, he has forged an iron-clad monopoly.

The more difficult question to answer is how has Slim managed to build his empire with little to no public outcry or resistance? This chapter explores this question by looking at the history behind Slim’s wealth and the impacts his companies have had on Mexican society, politics, economics and human rights. The structure of Slim’s financial empire will be exposed as we explore the political connections and favorable legislative environment in Mexico that have facilitated his mercurial rise to ranks of the ultra wealthy. The results of the investigation presented in this chapter show that Carlos Slim is a true global oligarch who is able to operate with only minimal accountability because of deep political connections and a diverse and complex financial empire that functions in a regulatory environment that encourages the concentration of wealth.

SLIM’S EMPIRE AND THE PRIVATIZATION OF TELMEX

Carlos Slim’s investments and business deals worldwide span a wide range of industries including: telecommunications (telephone, Internet, cable providers), banking and finance, insurance, news media, marketing, industrial supplies, retail (including food retail), real estate and management, tobacco, oil and gas, mining, construction and infrastructure development, transportation, energy, sports, education, hospitality, medical services, and others. Slim’s business presence in Mexico alone is so broad that many find it appropriate to call the country “Slimlandia” as it is almost impossible to go a day in Mexico without contributing to Slim’s wealth, be it through a phone call, a quick snack at one of his restaurants, or by making a deposit at one of his banks. In fact, it was estimated that in 2006, the citizens of Mexico contributed \$1.50 per capita or \$67 million total to Slim every day.⁹



Slim's companies account for approximately 40% of the listings on Mexico's stock exchange, the Bolsa Mexicana de Valores (BMV, the Mexican Stock Exchange).¹⁰ Many of his investments are transacted through his various major conglomerates including Grupo Carso, Grupo Financiero Inbursa and Inmobiliaria Carso. Slim's fortune has given rise to a family empire and he often acquires shares on behalf of himself and his children as the "Slim Family." His three older sons hold chief executive officer and presidential positions at his main companies.¹¹ Because of the huge number of companies under Slim's control and the diverse industries in which he operates, it is difficult to fully comprehend his reach inside Mexico and throughout Latin America. A 2007 article in *Foreign Policy* magazine summed up Slim's reach saying:

*"For Bill Gates to control a share of the U.S. telephone market similar to Slim's reach in Mexico, Gates would have to own AT&T, MCI, Quest, Spring, and Verizon – and even then, Gates would still only have less than 80 percent market share, well short of Telmex's 92 percent. To match Slim's overall market presence in Mexico, Gates would probably also have to own Alcoa, Phillip Morris, Sears, Best Buy, TGIFriday's, Dunkin' Donuts, Marriott, Citibank and JetBlue. For his wealth to be on a scale in the United States similar to Slim's in Mexico, Gates would have to worth \$909 billion."*¹²

Although Slim began investing his money at the age of 12 and went on to make millions through business investment and the stock exchange, it was the privatization of the national telephone company Telefonos de Mexico (TELMEX) that provided the key opportunity in Slim's financial career. In 1990, Slim's Grupo Carso became the controlling shareholder in the formerly state-owned TELMEX. Commonly understood as the largest single privatization in Latin America, this single transaction gave Carlos Slim the necessary capital to expand his empire and set him on the road to becoming what he is today.¹³ The ball started rolling in 1988 when presidential candidate Carlos Salinas campaigned on a promise to privatize TELMEX. After winning the election, Salinas quickly and profoundly expanded efforts to liberalize Mexico's economy. A major part of Salinas' plan was to sell off most of Mexico's public enterprises and by 1994, the country's publicly owned companies had shrunk to 220 firms down from 1,155 in 1982.¹⁴

The sale of TELMEX was the most profound privatization during Salinas' time in office for three main reasons: first, the sale generated the largest sum (U.S. \$6 billion) for the Mexican Treasury from the sale of a single firm; secondly, the sale of TELMEX served as a template for further privatizations; and thirdly, for political reasons, the move would set a positive tone for more market liberalization during Salinas' mandate.¹⁵ In addition, the fact that the company was financially successful, enjoyed a virtual monopoly and had a huge growth potential made TELMEX a good candidate for privatization in Salinas' eyes.¹⁶ Recognizing that permitting TELMEX to fall into foreign hands would not be popular with the public, the government reorganized the company to ensure that Mexican investors would control the majority of TELMEX's shares. When the transaction went through in December 1990, a consortium of companies made up of Southwestern Bell (SBC), France Telecom, and Slim's Grupo Carso emerged as the new owners of TELMEX with Grupo Carso as the controlling shareholder.

Salinas also granted the company monopoly status for the next six years by closing the market of fixed telephony (also known as Voice over Internet Protocol). This allowed TELMEX to not only control about 90% of the Mexican telephony market¹⁷ but also to increase its telephony prices, which are still among the most expensive in the world today.¹⁸ By 1994, Slim was the wealthiest man in México, with an estimated fortune of \$6.6 billion.¹⁹ The fortune Slim built through TELMEX has allowed him to expand and diversify his businesses into Internet and cellular telephone services and beyond.²⁰ In addition, because Mexico is a

country where large portions of the economy are controlled by monopolies, this provided a perfect environment for a shrewd investor with political ties and large amounts of capital to build a financial empire. Mexican economist Rogelio Ramirez de la O, stated that Slim benefited from "almost predatory advantages in markets where he faces almost no competition. [And] for someone who is cash-rich in an economy in a shambles, it's easy to acquire businesses at rock-bottom prices."²¹

For example, América Móvil, which began as a subsidiary of TELMEX, is now the biggest or second-biggest cellular phone company in every Latin American country except Chile, where it is third.²² Close to two-thirds of Slim's wealth now lies with América Móvil and it is now the main arm of Slim's telecommunications empire, controlling both TELMEX and TELMEX International. América Móvil is also the fifth-largest telecom company in the world—behind China Mobile, AT&T, Vodafone, and Telefónica—with a market capitalization average of approximately \$97 billion in 2010.²³ Slim's telecom monopoly is incredibly strong inside Mexico where he controls 70% of the cellular telephone market, 80% of the fixed-line market, and an estimated 88% of the Internet service market.²⁴ Once monopoly status has been gained, Slim's companies can charge higher prices without facing any competition. According to *The Economist*, home and business landlines in Mexico cost 45% and 63% more than the average among other Organization for Economic Co-operation and Development countries, while basic broadband access costs ten times more than the rest of the OECD.²⁵

A DIVERSIFIED PORTFOLIO: SLIM'S OTHER HOLDINGS

In addition to his telecommunications empire, Slim has invested in both vertical and horizontal integration by owning majority and minority shares in a variety of companies in other sectors in Mexico. His Grupo Carso owns 85% of the shares of Sears Mexico, which operates through Grupo Sanborns, his retail business conglomerate.²⁶ Grupo Carso also controls Grupo Condumex, Slim's industrial supply conglomerate (which includes companies such as CDM and Sinergia), while Carso Infraestructura y Construccion (CICSA) is an infrastructure development giant with subsidiaries like Swecomex and PC Constructores.²⁷ CICSA is present in the majority of the American continent in countries like the United States and Brazil and its clients include PEMEX, América Móvil, Conagua, Dupont, Siemens, Shell, and Mitsubishi Heavy Industries.²⁸

HOW DO CARLOS SLIM'S COMPANIES COMPARE? (MARKET CAPITALIZATION – US\$)²⁹				
COMPANY NAME	MARKET CAP	SECTOR	COMPARED TO	MARKET CAP
AMÉRICA MÓVIL	93 billion	Telecommunications	VERIZON ³⁰	99 billion
GRUPO CARSO ³¹	66 billion	Diversified	KRAFT FOODS ³²	61 billion
IDEAL	61 billion	Infrastructure & Development	UNITED TECHNOLOGIES CORPORATION ³³	66 billion
MINERA FRISCO	125 billion	Mining	RIO TINTO	118 billion
GRUPO FINANCIERO INBURSA	164 billion	Finance	HSBC HOLDINGS PLC	159 billion

SOURCE: Bloomberg.

One of Slim's latest ventures, Impulsora del Desarrollo y Empleo de América Latina (IDEAL) has landed major government contracts that range from water treatment plants to toll highways.³⁴ He is also a major

investor in the hospitality industry through Grupo Hotelero Ostar and is also behind Grupo Star Médica, which provides private health care to foreign tourists in Mexico.³⁵ Through TELMEX he also owns marketing and media outlets such as Sección Amarilla (Mexican Yellow Pages)³⁶ and the motor-racing team Escudería TELMEX.³⁷ Carlos Slim also owns the mining group Minera Frisco, which has several large-scale zinc, copper, silver, lead and gold mining operations.³⁸ He owns 49% of the shares of industrial group Elementia³⁹ and is also a shareholder (through Grupo Carso-Sinca Inbursa) of Grupo Mexico's rail transportation subsidiaries, owning 18.5% of Ferromex and 25.01% of Ferrosur.⁴⁰

SLIM IN THE UNITED STATES

América Móvil has a wide range of subsidiaries in the United States as well as in Latin America. Tracfone, for example, is an América Móvil subsidiary headquartered in Miami with wireless operations in the U.S., Puerto Rico, and the U.S. Virgin Islands. Tracfone has approximately 18.5 million subscribers in the United States alone.⁴¹ By offering to install phones in Mexican homes that could be paid for by a relative who lives in the U.S., TELMEX/América Móvil has tried to reach into the market of the Mexican Diaspora—an especially lucrative move since more calls are made from the U.S. to Mexico than the other way around.⁴² The expansion into the United States has also been indirectly aided by the North America Free Trade Association's (NAFTA) Chapter 13, which addresses telecommunications. For example, NAFTA served to facilitate the entry of powerful Mexican business into the United States and gave these telecommunication companies the rights to transfer funds freely, to be protected from expropriation, and to arbitrate investment disputes with the host government.⁴³

Aside from telecommunications, Slim also owns shares in many other U.S. businesses. He has stakes in Citigroup⁴⁴ and his Inmobiliaria Carso is the second-largest shareholder in luxury retail chain Saks Fifth Avenue, with 17.4% of the shares.⁴⁵ In the past, Slim has been involved with other retail outlets such as CompUSA, OfficeMax and Circuit City,⁴⁶ and he has invested in a variety of U.S. stocks, including those of computer technology developer Apple.⁴⁷ He even owns 8.1% of *The New York Times* newspaper company, making him the paper's second-largest shareholder.⁴⁸ In fact, it has been rumored that ever since Slim offered the newspaper a \$250 million loan to avoid bankruptcy, the *Times* has been notably silent on negative news involving the richest man in the world.⁴⁹ In 2008, his Grupo Financiero Inbursa purchased 1% of Citigroup's shares.⁵⁰ While he recently sold his stake at oil company Bronco Drilling,⁵¹ Slim remains a shareholder at Allis-Chalmers Energy.⁵² He also sits in the board of directors of Philip Morris International,⁵³ the world's largest tobacco retailer, and the U.S. parent of Philip Morris Mexico and Cigatam (which are also partly owned by Grupo Carso).⁵⁴ The tobacco market is a duopoly in Mexico, with 99% of volume sales shared between Philip Morris Mexico and British American Tobacco.⁵⁵ In the 1980s, BAT reported that 40% of its shares belonged to Slim.⁵⁶

SLIM IN LATIN AMERICA

As in Mexico, Carlos Slim's business expansion into Latin America was fueled by his telecommunications investments. América Móvil is now the biggest wireless provider in Latin America and also provides services such as wireless, fixed telephony, broadband and paid TV, comprising 284 million accounts.⁵⁷ Its recent takeover of TELMEX made América Móvil the parent company of TELMEX, Telcel, Claro, Embratel, Net and Comcel, all of which provide services such as wireless, fixed telephony, broadband and cable.⁵⁸ In the

first quarter of 2011, América Móvil reported a wireless subscriber base of 65.7 million customers in Mexico, 53.4 million in Brazil, 30 million in Colombia, 18.5 million in both Argentina and the U.S., and 17.5 in Central America and the Caribbean.⁵⁹

Slim's focus on Latin America has to do with what he believes to be the continent's current path of development. In a recent interview with the *Financial Times*, Slim predicted that Latin America should break the barrier of underdevelopment within 10 to 15 years and begin to develop a large middle-class, a trend that calls for heavy investment in the present.⁶⁰ IDEAL, Slim's infrastructure development company, already is involved in a series of energy, transportation and trade projects throughout Latin America. For example, the company is responsible the construction of the Bajo de Mina and Baitún hydroelectric dams in the Chiriquí Viejo River in Panama.⁶¹ Grupo Carso's Cilsa, a construction company, is involved in other Panamanian developments including the expansion of the Panama Canal.⁶²

In early 2011, Grupo Carso expanded its oil and gas investments by purchasing 70% of the shares of Geoprocesados SA's Tabasco Oil Co in Colombia. Tabasco holds a license to explore and produce hydrocarbons in a 413-km² oil block in Colombia, whose oil and gas sector accounted for 40% of the country's foreign direct investment in 2010.⁶³ Slim has recently acquired shares in the Spanish investment firm Criteria CaixaCorp and has joined their board of directors as the company attempts to expand its financial operations into Latin America.⁶⁴ Criteria CaixaCorp owns 20% of the shares of Slim-controlled Grupo Financiero Inbursa⁶⁵ as well as Spanish energy company Gas Natural Fenosa, where Slim has a 15% stake.⁶⁶ Gas Natural Fenosa operates in 25 countries including Spain and most of Latin America.⁶⁷

CHALLENGING SLIM'S MEXICAN MONOPOLIES

On numerous occasions over the years, Slim's telecom holdings have come under investigation by Mexico's antitrust regulators for monopolistic practices and high connection and interconnection fees.⁶⁸ Most recently, Mexico's Federal Competition Commission (FCC) slapped América Móvil with a \$1 billion fine for repeat offences by Telcel, one of its subsidiaries, whose customers represent 70% of the 91 million wireless users in Mexico.⁶⁹ Upon notification of the fine, Telcel representatives argued that the fine was "arbitrary, biased, opportunistic and excessive" and vowed to appeal it.⁷⁰ As a result of the appeal process, TELMEX's fine may be lifted after the commission was forced to recuse its own chairman from the case.⁷¹ Mexico's FCC was due to make a decision on the ratification of the fine by the end of September 2011, but media reports in mid-August said that the body was mired in disagreement and that the case is unlikely to be finalized.⁷²

While this fine represents the largest ever imposed on one of Slim's companies, he has been subjected to numerous fines and investigations over the years for "dominance" issues and impeding smaller competitors from connecting to TELMEX's network. During a three-month period in 2008, Slim's telecom holdings were investigated on seven separate occasions.⁷³ Despite these regulatory challenges, Slim's companies have successfully deflected any serious legal action. His track record at dodging fines and legal action is, in many ways, a direct result of uncertainties in the actual implementation of Mexico's Federal Telecommunications Law (FTL), which opened competition to all segments of the telecom market. Once a company is fined, the FTL provides firms with a legal recourse known as an "amparo" that gives plaintiff's the right to ask for a temporary suspension of any regulations that it considers violate the company's constitutional rights.⁷⁴ Slim, like many large Mexican and multinational corporations, has used this tool to continue operating in the face

of legal and regulatory action. In one example from 1997, Grupo Carso was declared anti-competitive by Mexico's FCC. Grupo Carso simply filed an amparo against the resolution and the case has remained open for more than a decade while Grupo Carso continued to operate.⁷⁵ According to *The Economist*, TELMEX has been awarded amparos at the slightest hint of pressure from Mexico's "supine courts to protect its privileged position."⁷⁶

Another difficulty the government encounters in trying to regulate TELMEX is the fact that it is one of the most widely traded stocks on the Bolsa Mexicana de Valores (BMV), Mexico's stock exchange. Any regulatory measures on TELMEX that might be perceived as negative by shareholders will affect the overall performance of the BMV. Combined with its 90% market share, TELMEX's market value puts to the test the government's ability and willingness to confront a business empire that can negatively impact the entire Mexican economy.⁷⁷ In fact, the value of Carlos Slim and his companies to Mexican investors is so high that a small change of perception regarding Slim can affect the entire Mexican economy. One such case occurred in 1997 when the BMV was rocked by instability due to market worries following reports that Slim had undergone heart valve surgery.⁷⁸

POLITICAL INFLUENCE

The weakness of current Mexican lobbying regulations and the lack of a central reporting mechanism⁷⁹ make it difficult to quantify the extent to which Slim and his companies influence government decisions or lobby to secure important contracts. Internationally, Slim associates himself with the political elite through social, philanthropic and institutional liaisons. Within Mexico, however, he tries to maintain a non-partisan public persona in order to conduct business as usual, no matter which party is in power. Confirming this strategy, various documents found on the website of Mexico's Federal Electoral Institute (Instituto Federal Electoral) show that, over the years, Slim and his family have made donations to Mexican national political parties of all stripes, including the center-left Party of the Democratic Revolution (PRD), the center-right Institutional Revolutionary Party (PRI) and the ruling right-wing National Action Party (PAN).⁸⁰

Slim's position as one of Mexico's most important businessmen gives him ready access to political officials. He is considered a long-time friend of former President Carlos Salinas and is often seen side-by-side with current Mexican President Felipe Calderón at government and business functions.⁸¹ He has been the guest of numerous world leaders including former British Prime Minister Tony Blair and U.S. President Barack Obama⁸² and he has developed philanthropic partnerships with former President Bill Clinton, with whom he has worked on numerous charitable projects. Slim is regularly invited to speak at international conferences dealing with poverty, AIDS, and world trade. He is an official advisor to the United Nations' Secretary General on the issue of climate change and co-chairs the UN's Broadband Commission for Digital Development. These relationships and positions within international institutions give Slim invaluable opportunities to influence the world's most powerful policymakers. Another benefit is that these appearances allow him to promote his image as a benevolent billionaire by publicly engaging in high-level forums on global humanitarian issues.

Given that Slim's industrial and infrastructure development companies are the main contractors for government projects and state companies like Petróleos Mexicanos (PEMEX),⁸³ he clearly wields a fair amount of influence over domestic policymakers. While backroom deals involving Slim and the Mexican government are difficult to verify, certain public initiatives organized by Slim are designed to promote private-

sector involvement and, in turn, his own businesses. One such initiative is the Acuerdo de Chapultepec. Slim launched this accord in 2005 in anticipation of the 2006 Mexican presidential elections. The accord, which was quickly endorsed by more than 400 business leaders and politicians,⁸⁴ urges the government to promote development and economic growth through public-private partnerships and calls for a favorable climate for private investment—including increasing deregulation of the business sector.⁸⁵

Another example of Slim's push for private-sector involvement in areas traditionally managed by the Mexican state is water management. At the 4th World Water Forum in 2006, Slim mentioned in his keynote address that, although he considered water to be “undeniably” a right, he proposed that an “autonomous agency with technical capacity, without fiscal or six-year presidential-term limitations,” should be incorporated to create new management systems that would take water “out of the public budget.”⁸⁶ Given that Slim has access to political decision makers—both internationally and within Mexico—statements such as these are bound to affect the direction of public policy in Mexico and even elsewhere in the world.

NAFTA'S AFTERMATH

While the North American Free Trade Agreement became law in 1993, Mexico's telecommunications industry was not be opened to competition until 1996, when TELMEX's monopoly status officially expired. Despite the goal of opening Mexican markets to more foreign investment, NAFTA failed to budge TELMEX's virtual monopoly. This is demonstrated by the fact that today 80% of Mexico's fixed line telephones continue to be controlled by Slim—18 years after NAFTA came into being. This does not mean that large U.S. telecom providers did not try to enter the Mexican telecom market. In 1996, the Mexican government opened its doors to six foreign carriers, including subsidiaries of AT&T and MCI. When the two U.S. carriers entered the Mexican market, they were immediately faced with TELMEX's high interconnection rates and consequently requested that the U.S. government take action against the Mexican government through the World Trade Organization.

AT&T and MCI pushed for WTO intervention because 70% of their revenue from calls between Mexico and the U.S. was ending up in TELMEX's hands due to the high interconnection rates. TELMEX responded by arguing that the high fees were necessary to modernize its telecommunications system, as required by NAFTA standards.⁸⁷ A settlement was reached between the Mexican and American governments, which included the payment of \$450 million in fees to TELMEX by AT&T and MCI.⁸⁸ The choice to appeal through the WTO rather than NAFTA exposed the fact that NAFTA's provisions were insufficient to guarantee the opening of the telecommunications market and the expansion of U.S. competitors into Mexico.⁸⁹ The case also highlights Slim's iron grip over Mexico's telecommunications industry where, as was discussed above, regulators seem almost powerless to confront monopolized industries.

Conversely, the passage of NAFTA opened both the Canadian and U.S. markets to Mexican investors. In particular, NAFTA's Chapter 13 on telecommunications gave companies full right-of-entry to other NAFTA countries' public telecommunications networks—and the right to move information within the country and across its borders without any conditions on access to or use of telecom networks or services.⁹⁰ This means that NAFTA not only allowed U.S. companies to attempt entry into the Mexican telecom market but, in turn, it worked to give Slim's powerful businesses full access to the lucrative U.S. market. Most importantly, the trade agreement gave investors the right to sue the governments of other NAFTA members if they felt their investments were refused or impeded. While Carlos Slim currently has only limited telecommunications

investments in the United States (and very little in Canada), NAFTA has opened the door for him to move more aggressively into these markets if and when he decides to do so.

PHILANTHROPIC WORK: “WHITE-COATING” AND “GREEN-WASHING”

As Slim’s fortune grew, he was often asked whether he would follow in the philanthropic footsteps of fellow billionaires Bill Gates and Warren Buffet and donate his wealth to charity. In a series of interviews, he has responded that he would rather contribute through job generation instead of making large tax-deductible donations that would deprive governments of millions of dollars in revenue.⁹¹ However, Slim eventually began funnelling money to his charitable foundations—to the point that he now is considered one of the world’s biggest philanthropists.⁹² Slim’s money is channelled through charity work, with a special focus on health and education programs, involving sizeable cash and stock donations. The various Slim foundations, which reportedly invested a total of \$7.9 billion in 2009 alone,⁹³ are an important public relations tool that he wields to manage his image as compassionate and generous, thereby countering the uncomfortable fact that he is the world’s richest man and that he is living in a country plagued by poverty and inequality.

One of Slim’s main philanthropic projects is the Carlos Slim Health Foundation (Instituto Carlos Slim de la Salud, or ICSS), which supports medical work on infection, malnutrition, reproductive health and emerging diseases. Founded in 1997, the ICSS has been warmly welcomed by the World Health Organization and the Harvard School of Public Health and has partnered with the Gates Foundation, the Clinton Global Initiative, the Spanish Agency for International Development Cooperation and the Inter American Development Bank.⁹⁴ However, hidden underneath these high-profile endorsements and positive press is the contradictory fact that the financial wealth that funds ICSS’s work is derived, in part, from Slim’s extensive holdings in the tobacco industry.

Slim’s main tobacco holdings involve the Mexican cigarette manufacturer Cigarrera La Tabacalera Mexicana (Cigatam), of which Slim currently owns 20%. Global tobacco giant Philip Morris International owns the controlling shares in Cigatam.⁹⁵ Cigatam has been characterized as one of Slim’s “first and most important” acquisitions because the cash flow generated from the 1980 purchase and subsequent earnings from cigarette sales provided Grupo Carso with extra revenue to purchase other and even bigger companies.⁹⁶ Some critics have called this morally contradictory situation a “prima facie conflict of interest between ICSS’s health mission and its founder’s involvement in cigarette manufacturing and marketing.”⁹⁷

SELECTED FOUNDATIONS AND PHILANTHROPIC PROGRAMS	
CARLOS SLIM FOUNDATION (CARSO FOUNDATION)	SOUMAYA MUSEUM
CARLOS SLIM HEALTH INSTITUTE	TELMEX HIGHER EDUCATION SCHOLARSHIPS
GRAMEEN-CARSO MICROFINANCE PROGRAM	TELMEX FOUNDATION
CARSO MEXICAN HISTORY STUDIES CENTER	CASA TELMEX

In addition to the funding ICSS receives from Slim’s companies, the institute bears his name—even though he remains on the board of directors of Philip Morris International. Combined, these factors make for a case of “white coating”—a public relations ploy that occurs when corporations (such as multinational cigarette or

oil companies) use donations and other involvement with healthcare, medical research and charitable work to impose a positive spin on their image.⁹⁸ An even more egregious example of “white-coating” was seen with the announcement of the “Carlos Slim Health Awards,” cash awards meted out to health professionals and institutions by ICSS. Slim has also donned the white-coat by partnering with fellow billionaire Bill Gates (through the Bill and Melinda Gates Foundation) and the government of Spain to launch the \$150 million “Salud Mesoamérica 2015” health initiative.⁹⁹ The Gates Foundation continues to partner with ICSS even though it previously has terminated grants and partnerships over the issue of tobacco industry connections. A case in point was a \$5.2 million grant the Gates Foundation gave to Canada’s International Development Research Centre (IDRC). It was terminated after news broke that IDRC’s chair was a recent board member of Imperial Tobacco Canada.¹⁰⁰

In other attempts to hide the negative impacts of his financial empire, Slim has managed to formulate a “green” image for his many companies by pursuing partnerships and offering donations through the Carlos Slim Foundation (Carso Foundation). The Carso Foundation has allocated money for environmental protection and sustainable development projects in an apparent effort to en-wash Slim’s involvement in businesses that pollute the environment and pump greenhouse gases into the atmosphere. In 2009, for example, Slim donated \$50 million through his Carso Foundation to World Wildlife Fund (WWF) to develop environmental recovery and reforestation projects in Mexico.¹⁰¹ In 2010, he participated in the World Mayors Summit on Climate in Mexico City. He is also a member of the UN Advisory Group on Energy and Climate Change, which, together with other powerful billionaires such as India’s Ratan Tata of Tata Motors, advises UN Secretary General Ban Ki Moon.¹⁰² TELMEX has been given the Mexican Center for Philanthropy’s “Empresa Socialmente Responsable” (Socially Responsible Company) award in recognition of its “altruistic” work in areas such as community services and the environment.¹⁰³ In spite of the fact that TELMEX has a bad track record of providing service to customers who complain about high consumer rates and unstable connections,¹⁰⁴ the company has received this award for the past ten consecutive years.

These examples of using philanthropic involvement in the health and environmental sectors to “white-coat” and “green-wash” show not only how Slim manages to groom his public image and the image of his companies, but also demonstrate the breadth and depth of his connections with government representatives, institutions and high-profile individuals. Slim’s public relations initiatives and his influential networks allow him to maximize his ability to minimize the negative impact his harmful investments and business practices might otherwise have on his public and corporate persona.

SOCIAL AND ENVIRONMENTAL TRACK RECORD

A large portion of Slim’s wealth is derived from his holdings in environmentally destructive industries. His oil and gas, mining and infrastructure companies invariably pollute the Mexican environment through the emission of greenhouse gases, the displacement of local populations and the destruction of the country’s biodiversity. Whether it is his infrastructure companies constructing a hydroelectric dam, a new super highway or supplying Mexico’s biggest oil company with drilling services, Slim’s social and environmental footprint is large. Interestingly, Slim has managed to avoid serious criticism from social movements and civil society for this track record. This is not only due to his green-washing efforts and his philanthropy but also to the fact that he is rarely directly tied to any single company in his portfolio. Nevertheless, based on his impact on the Mexican economy alone, Carlos Slim plays a major role in the societal inequalities that plague Mexico

today. Indeed, he epitomizes the troubling trend of increasing concentration of wealth in fewer and fewer hands while the majority of people struggle to survive.

There are many examples of the damaging consequences of Slim's social and environmental footprint. For instance, Slim was once involved as a potential investor in the controversial La Parota Dam in Mexico, which, if completed, would have flooded 17,000 hectares (42,008 acres) of land and displaced more than 25,000 people.¹⁰⁵ Slim's involvement was through a partnership between ICA Construction, Grupo Carso and Slim's infrastructure firm IDEAL. His potential involvement led activists to call for a boycott of Grupo Carso products and outlets.¹⁰⁶ In 2009, after a six-year struggle to block construction of the dam, local opponents emerged victorious when the project was shelved—at least until 2018.

In another case, Minera Real de Angeles, a unit of Slim's mining company (Minera Frisco), contaminated 900 hectares (2,224 acres) of once productive land in the state of Zacatecas with lead, arsenic and other toxic chemicals.¹⁰⁷ In the 1980s, in order for the mine to begin operations, an entire village—along with its communal land and traditional *ejidos*—was destroyed and replaced by a crater the size of Mexico City's Azteca Stadium (which has a seating capacity of 114,600). As a result of the environmental damage, Minera Frisco was fined more than \$260,000. Frisco appealed the fine several times in court and eventually succeeded in avoiding payment.¹⁰⁸

In the state of Chihuahua, Minera Frisco workers at the company's San Francisco del Oro mine have reported dangerous working conditions and unfair compensation in cases of worker's injuries and illness caused to miners and villagers poisoned by inhaling dust filled with heavy metals released by the mine. One former miner stated that the mine used cyanide and other dangerous chemicals to facilitate gold extraction and that these chemicals contaminated the local village causing serious illnesses and eventual deaths.¹⁰⁹ According to the miners' union in Minera María (a Minera Frisco mining unit in the state of Sonora), one of Slim's mines has contaminated source of the Sonora River and poisoned the surrounding area with approximately 50,000 tons of heavy metals such as cadmium and arsenic. The mine is considered to be the source of many health and environmental problems in the region.¹¹⁰ In addition, the mine utilizes large quantities of water, which often leads to water shortages in the region.¹¹¹

Slim's other infrastructure investments have also come with environmental and social impacts. In Panamá, the two hydroelectric dams (the Baitun and Bajo de Mina) being built by IDEAL in the Chiriqui Viejo River are being heavily opposed by the local population. Local inhabitants have reported that due to the number of dams being built on the river (a total of eight, although only two belong to IDEAL), they can no longer feed themselves by fishing. Government authorities now admit that no environmental management plan was made to curb the negative impacts of the dams.¹¹² One village resident in the vicinity of the Bajo de Mina dam, reported that IDEAL fooled him into accepting unfair compensation for his land, which will be adversely impacted by the dam.¹¹³ Another IDEAL infrastructure project that has been criticized involves the construction of the biggest residual water treatment plant in the state of Hidalgo. The plant, in the town of Atotonilco de Tula, was designed to treat water contaminated by PEMEX (a main client of Grupo Carso's oil industry products and services). Peasant leaders who live in the area where the treatment plant will be built have complained that government authorities neither warned them nor consulted them about the development.¹¹⁴ The treatment plant is being developed by a consortium between IDEAL and several partner companies.

These examples are just a sampling of the damaging social, environmental and human rights footprint marking the trail of companies owned by Carlos Slim. Given the sheer immensity of Slim's holdings, a full assessment of the negative impacts from these operations would require much further research. This type of study would be a welcome addition to the critical literature on Carlos Slim because, by its very nature, the complexity of his empire makes it difficult to link him to the damage caused by any single large corporate entity. This means that the negative impacts from Grupo Carso companies rarely reflect badly on his reputation. The result is that Slim can continue to construct his public image as a philanthropist and good corporate citizen while remaining unaccountable for the widespread upheaval caused by his companies.

CONCLUSION

Overall, Carlos Slim's ascent to the position of "the world's richest man" has come at a great cost for the people and economy of Mexico—and in the other countries where he has invested. It is safe to say the Slim and the other Mexican billionaires (many of whom became rich riding the wave of privatizations unleashed by the Salinas Administration) are responsible for the continuation of Mexico's high rates of inequality.¹¹⁵ Slim's monopolies have been allowed to flourish in a country that is lacking in regulations that might guarantee fair competition. This, in a nutshell, is how Slim was able to build and maintain his empire. Although he began to invest in a variety of industries at a young age, the purchase and subsequent monopolistic growth of TELMEX enabled him to vastly diversify his operations and expand his empire. Slim's success has come with a high price for those who subscribe to one or more of the costly services provided by TELMEX—and have little choice due to the lack of competition. Slim's towering success also has created an unhealthy symbiosis—a dependency of the Mexican economy on Slim's businesses investments. Slim's has crafted a sprawling network of businesses that are seen as "too big to fail." This undermines the power of government agencies to regulate such businesses for fear of triggering negative consequences that might threaten the larger Mexican economy.

Slim's power is linked not only to his business strategy but also to his political connections in Mexico and around the world and his access to key policymakers. His strategic partnerships—such as his joint health initiatives with the government of Spain and powerful people like Bill Gates—allow him to construct a positive and caring public persona behind which he can hide the extensive negative environmental and human rights impacts of his mining, petroleum, tobacco and construction projects. The size and complexity of his collection of companies (and their relative obscurity, even inside Mexico), leave Slim largely unaccountable for the human and environmental damage that underlies his fortunes. Slim's financial success, combined with his well-crafted image, work to perpetuate the public's acceptance of monopolies and great wealth as positive virtues. But the fact remains: Carlos Slim is now the most glaring example of the growing inequality inside Mexico and around the world, a cynical charade of success that is characterized by a familiar and unequal equation—more money in fewer hands and less resources for those who need them the most.

APPENDIX A: SELECTED INVESTMENTS BY CARLOS SLIM ACCORDING TO SECTOR
(SUMMER 2011)

This is a list of key selected companies partially or majority owned by Carlos Slim and/or his subsidiaries according to sector. His total investments are estimated to be much more extensive than what is shown on this list. Slim's share of investment and ownership of each company is not listed, given the degree of imprecision of information regarding his investments—due, in part, to Slim's practice of repeatedly buying and selling his companies' stocks.

INDUSTRY SECTOR	COMPANY NAME	COUNTRY OF OPERATIONS
TELECOMMUNICATIONS	AMERICA MOVIL, which includes: TELMEX TELMEX INTERNATIONAL TELCEL CLARO EMBRATEL NET TRACFONE COMCEL PORTA, SECCIÓN AMARILLA	Latin America And The United States
MINING	MINERA FRISCO	Mexico
RETAIL	GRUPO SANBORNS, which includes: SANBORNS STORES SANBORNS CAFÉ SEARS MEXICO MIX-UP PROMOTORA MUSICAL DORIAN'S, ETC SAKS FIFTH AVENUE	Mexico United States
NEWS MEDIA	NEW YORK TIMES THE INDEPENDENT	United States United Kingdom
OIL AND GAS	TABASCO OIL ALLIS-CHALMERS ENERGY INC GAS NATURAL FENOSA	United States And Latin America Spain And Latin America
TOBACCO	CIGATAM	Mexico
FINANCE	GRUPO FINANCIERO INBURSA, which includes: BANCO INBURSA SEGUROS INBURSA CASA DE BOLSA INVERSORA BURSÁTIL AFORE INBURSA OPERADORA INBURSA, ETC. CRITERIA CAIXA CORP CITIGROUP	Mexico Spain International
REAL ESTATE	INMUEBLES CARSO	Mexico

HOSPITALITY	OSTAR GRUPO HOTELERO, which includes: HOTEL GENEVE – CIUDAD DE MÉXICO CALINDA BEACH – ACAPULC RAMADA GATEWAY – ORLANDO, ETC.	Mexico and The United States
INDUSTRIAL SUPPLIES	GRUPO CONDUMEX, which includes: CDM EQUITER INDUSTRIAS IEM SINERGIA MICROM CONDUMEX INCORPORATED	Mexico, United States, and Canada
CONSTRUCTION AND INFRASTRUCTURE	IMPULSORA DEL DESARROLLO Y EMPLEO DE AMÉRICA LATINA (IDEAL) CARSO INFRAESTRUCTURA Y CONSTRUCCIÓN SAB, which includes: CICSA DUCTOS SWECOMEX PC CONSTRUCTORES CILSA SERVICIOS INTEGRALES GSM URVITEC	Latin America Mexico
MEDICAL SERVICES	GRUPO STAR MÉDICA	Mexico
EDUCATION	UNIVERSIDAD TECNOLÓGICA DE MEXICO (UNITEC'S CAMPUS)	Mexico
TRANSPORTATION	FERROSUR (GRUPO MÉXICO) FERROMEX (GRUPO MÉXICO)	Mexico
SPORTS	ESCUDEÍA TELMEX	Mexico

NOTES

¹ Polaris Institute calculations based on figures from Forbes Magazine's annual list of the world's wealthiest people.

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THE INDIAN OLIGARCHS

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The global image of India has been undergoing drastic changes in the last few decades: from being known as an exotic land of spirituality and great culture on the one hand, and massive poverty and destitution on the other, India suddenly finds itself on the world's platform presented as one of globalization's winners. Shining India has become not only a national political slogan by which drastic economic, political and social changes were brought about and justified, but also the country's new brand name abroad. Dollar billionaires from India, now famous worldwide, occupy the top slots of the Forbes billionaires list. How did the great Indian oligarchs emerge? Which policies and processes facilitated their rise? India is often referred to as an "emerging economy." Indian civilization is, of course, too ancient to be called "emerging." What has emerged from globalization and deregulation?

With the much-hyped, neo-liberal model (based on privatization, liberalization and globalization), the avenues were finally opened for the economic rise of India's billionaires, misleadingly presented as "the rise of India," the miracle growth story. In the era of globalization, the drastic reforms of the 1990s under the aegis of Cambridge/Oxford educated Manmohan Singh – then India's Finance Minister and now the country's Prime Minister – came to be seen as an undisputed propeller of growth, spinning out impressive double-digit GDP rates. What globalization advocates forego in their analysis is that, while India was rising and GDP growing, poverty, hunger, destitution, social conflict and inequalities of wealth and power were rising as well.

While it is true that great wealth has been accumulated, it has de facto remained in the hands of a few traditionally influential families, as sectors once included under the public domain have increasingly become private oligopolies. The policies of neo-liberal globalization imposed by the International Monetary Fund's (IMF) Structural Adjustment Programs since 1991 and World Trade Organization (WTO) since 1995, have created the climate for such concentration of resources and wealth in the hands of a few.

Yet, today, a wave of scandals of enormous proportions involving politicians and some of the biggest business houses are rocking the very foundations of the new global image of India. Much of the new wealth is based on resource grab and land grab. The heat has been turned up on India's wealthiest: where business acumen and ingenuity once were praised as sole determinants of such successful ventures, a question mark is now sneaking into the public's mind as to whether this ingenuity was not also applied towards lobbying for particular policies, rule-bending and favoritisms rather than to just plain business. As people start to question the means through which such richness came to be, it is important to make explicit the connection between politics, economic policies and such lopsided patterns of growth: such inequality is, in fact, the result of a process initiated two decades ago that has been pushed forward, consistently and vehemently, by a government that professes inclusive growth.

THE DISTRIBUTIVE EFFECTS OF LIBERALIZATION, PRIVATIZATION, GLOBALIZATION

Liberalization and economic restructuring gave rise to new avenues for profit creation and wealth accumulation for the powerful. Any structural change has distributive effects. In the case of economic or political reforms, too, it is fundamental to not only assess the total sum of the game, but also the political economy of it – that is, who stands to gain and who stands to lose. In a country like India, where political, social, economic, religious and identity-based constituencies abound (alongside many particularistic interests), it is paramount to study the finer distribution of benefits and losses that any initiative entails. Studies of the economic liberalization process of the 90s strongly suggest that, indeed, the reforms were strongly biased in favor of the corporate business sector as well as of the local elites. These already powerful sections in society were able to reaffirm their status in a self-reinforcing trend where growing wealth increased political clout and political connections increased economic clout.

The corporate business sector was pushed to the forefront of the economy, presented as innovators, as the engines of change and growth. An India of 1.2 billion was reduced to India, Inc. Public sector units had come to be broadly seen as redundant and unnecessarily bureaucratic, if not hopelessly corrupt. Privatization was strongly promoted as the panacea that would resolve all of India's structural inefficiencies and problems. International financial institutions have been systematically flogging the LPG mantra of Liberalization, Privatization and Globalization through a carrot-and-stick approach: on one hand, the country was lured by promises of rapid growth, modernization and increased social well being while, on the other hand, such reforms were pushed through Structural Adjustment Programs and loan conditionalities.

In 1991, at the time of these economic reforms, India was in the midst of a balance-of-payment crisis so accepting international institutional assistance also meant accepting their diktats. The World Bank initiated a \$500 million Structural Adjustment Program (SAP) that was also supported by an IMF-led stabilization program. Approved in December 1991, the SAP closed in December 1993.¹ The program envisioned by the SAP strongly pushed deregulation and liberalization with the idea of opening India's economy to the world. Government subsidies were cut substantially; trade policy was liberalized with decreased tariffs; industrial and

import licensing were reduced or removed considerably, foreign direct investment, foreign equity investment and foreign participation in Indian businesses were strongly increased.

In 1991, with introduction of the New Industrial Policy, the public sector's domination was broken and crucial economic sectors such as power, telecommunications, infrastructure, mining and banking were opened up to private investment. Manufacturing sectors – including iron, steel and shipbuilding – were also opened up for private business ownership.² All traditionally common property resources, public goods and services – including water, electricity, telecommunications, health and education – were steadily enclosed and privatized.

The conditions were thus created for domestic and foreign private players to enter and exploit a largely uncharted territory that they soon would come to dominate.

While the direct beneficiary of the new policy framework was the business sector, the middle classes also welcomed the restructuring with open arms. India had been a domestic economy in which production was intended for the Indian market, and consumption was based on local production. With globalization, the country's middle and upper classes quickly fell under the spell of all that was foreign – they were hungry for international goods, values and lifestyles. They identified Government's policies as regressive and saw them as the reason for their material deprivation. They supported India's new access to the global market, insofar as it gave them what they thought they so badly needed. Unfortunately, the general public has often remained oblivious to the deeper consequences the LPG process would inflict on the socio-economic reality of India – especially for local producers, small farmers, small industry and small retail. The middle and upper classes also became increasingly detached and segregated in islands of status – removed from the broader country's reality.

If, for some, India's opening to the world economy simply meant being able to access foreign consumer goods, for a much larger section of society this translated into a consistent, constant and unstoppable threat to their very survival through the loot of their resources and livelihoods. This divide has often been referred to as the "India-Bharat" divide – the divide between the privileged consuming classes in largely urban settings and the peasants and tribals in rural areas. These neo-liberal-paradigm-led structural changes were, in fact, accompanied by a steady shift in mentality and approach to social policy where wealth accumulation is presented as the foremost human achievement and poverty comes to be seen as an individual failure. What this hides is the massive transfer of wealth from the poor to the oligarchs, and the dispossession of millions from their resources, possessions, land and livelihoods.

The neoliberal paradigm has strongly pushed for a decrease in Government's participation in the country's economic affairs. The new reductionist role cast on the Government has signified a partial abandonment of what used to be the most guiding principles of social and economic policy in India – principles based on the socialistic ideology of equality and redistribution. While liberalization opened avenues for corporate profits for the rich, it closed down local economies, livelihoods, safety nets and social security for the poor. The socialist ideology as envisioned by Gandhi and Nehru implied a strong component of social justice. The new capitalist model increasingly does away with concerns over common welfare, replacing the notion of community with that of individual. In a market economy, actors are atomistic, competing for resources as a function of their financial status.

While the rhetoric calls for more market freedom and less Government regulation, what is in fact happening is deregulation for corporations and over-regulation of citizens. Laws like the Indian Seed Act, which would outlaw the sharing of thousands of traditional varieties of seeds in favor of a small selection of “licensed” seeds controlled by corporations, are aimed at regulating small, independent farmers while leaving corporations free. Laws like the Food Safety and Standards Act criminalizes the artisanal food producer while it deregulates the large corporations doing industrial food processing. The Biotechnology Regulatory Act would free the biotechnology industry to pursue the creation of Genetically Modified Organism (GMOs) while avoiding biosafety regulation. At the same time, the act would, criminalize citizens for demanding GMO-free food. This is not less Government, but more. This is Government as a partner of corporations, not citizens.

These economic reforms initially gained legitimacy from the high rate of GDP growth that followed. The corporate houses were favored by the newly deregulated market economy, which directly raised their economic and political clout. The social elites were condescending in their acceptance of globalization, which offered new opportunities to import an aspirational culture of consumerism. The political elites were ready to embrace the new “free market” and abandon the state-controlled *dirigiste* regime, convinced that following the signposts of the LPG would lead to broad, new avenues for personal profits and patronage.³

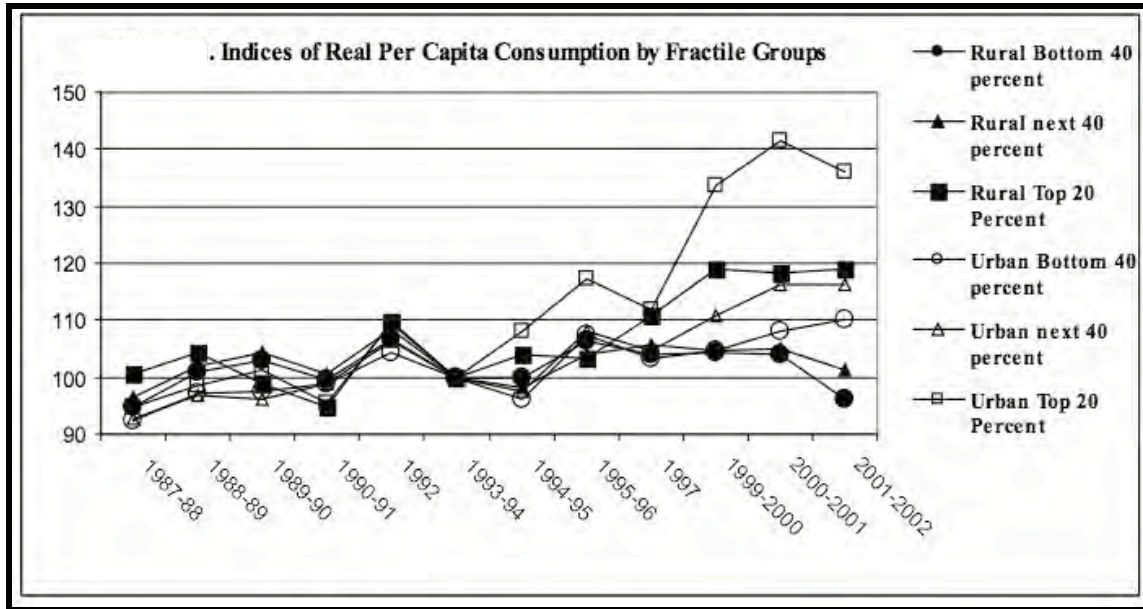
The process of globalization and deregulation of commerce has had several far-reaching and multifold consequences in India and elsewhere in the world. Firstly, the focus on pro-corporate policies (and a reductionist role for the State to privilege corporations) comes at the expense of weaker sections of society that are sorely in need of social safety nets to protect their social, economic and human rights. Secondly, as the market becomes the predominant ruling institution, rights are replaced by purchasing power. This excludes the majority of the population from welfare and benefit provisions and leaves them dependent on “dole outs.” Thirdly, competition for resources on an uneven playing field translates into the privatization of the commons and increasing concentration of wealth at the top of the social pyramid. Finally, the shift in mentality that accompanies capitalistic growth (driven by persistent and persuasive “corporate messaging” in the media) increasingly trains the public to see this accumulation of great wealth as legitimate and justifies whatever means are used to obtain the ends.

THE EMERGING OLIGOPOLIES

While privatization, deregulation and liberalization were presented as a bold way to break away from the constraints of State monopoly and create a “level playing field,” the political economy of the process actually translated into rising income inequalities. These new forces greatly affected the entitlements levels of many different sections of the social ladder by creating a new rung of large oligopolies dominated by a handful of private actors. Deregulation exposes the poor to new threats of exploitation as deregulation and privatization set the stage for a process known as “accumulation by encroachment or dispossession.” This is a process typical of capitalism, wherein new resources are not created *ex novo*, but are snatched from the pre-capitalistic or State sector through the direct appropriation of previously common property – such as communal water and land as well as public transportation, health and education resources – that can now all be privatized.⁴

When growth happens through this process, it doesn’t lead to poverty reduction, it just redistributes wealth from the large base at the bottom of society to a small elite at the top. Studies on income tax reports by Banerjee and Piketty show undisputedly that with the New Economic Policy, the incomes of the top 1%

income India's earners increased by about 50%. Out of this 1%, the richest 1% saw their incomes increase by more than 3 times.⁵ Indeed, the LPG approach has proved to be especially beneficial to the privileged top 1%. The problem is that, contrary to the promises of the "trickle-down theory," wealth was being sucked upwards – the rich were getting richer while the poor were rendered increasingly dispossessed and marginalized – physically, socially and politically.



Source: Jayati Gosh Parthapratim Pal and Jayati Gosh: Inequality in India: A survey of recent trends, DESA working paper no. 45, July 2007

The most blatant evidence of the skewed pattern of wealth accumulation resulting from neo-liberal policies is the creation of scores of new Indian billionaires in the midst of growing swaths of poor, hungry, dispossessed and landless people. Practically unchallenged in the newly opened market, a handful of well-connected firms and families soon came to control huge resources and this growing concentration of wealth laid the foundations for the rise of the Indian oligarchs.

The 2011 Forbes list counts 50 Indian billionaires. Most famously, there is Lakshmi Mittal, the owner of the Arcelor Mittal steel company and the world's sixth richest man with \$31.1 billion. There are managers of the Reliance Empire (petrochemical and telecommunications), the Ambani brothers, Mukesh (in ninth place with \$27 billion) and Anil (ranked 103rd with a scant \$8.8 billion). Earnings from the Essar Group (minerals, energy and communications) placed Sashi and Ravi Ruia in the 42nd position worldwide, with \$15.8 billion. The Jindal family (Jindal Steel and Power, Ltd.) ranks 56th, with \$13.2 billion. Gautam Adani's Adani Group (real estate, power, oil and agriculture) has earned him a slot as the world's 81st richest man at \$10 billion. Sunil Mittal, owner of the telecom giant Bharti-Airtel, is the world's 110th richest man with \$8.3 billion. Finally, aluminum baron Anil Agarwal of Vedanta Resources holds down position 154 with \$6.4 billion.

Ratan Tata, founder of the Tata Group, involved in manufacturing from tea to automobiles, does not appear in the list as his wealth is predominantly held by his charitable trusts. Although absent from the Forbes list, the size and operations of Tata's conglomerate qualify him for this study. That some of the billionaires are self-made while others inherited their wealth does not affect the argument, as it witnesses the tendency of

wealth to remain in the hands of those already wealthy and, even if some groups replace others, wealth stays concentrated in oligopolies.

1. LAKSHMI MITTAL — *ARCELOR MITTAL* STEEL

The richest man in India and sixth richest in the world, Lakshmi Mittal is known worldwide. He also happens to also be the richest man in Europe and in Britain, where he resides in a luxury mansion located at the prestigious and posh Kensington Palace Gardens. Mittal's mansion, on a street known as Billionaire's Row, is said to be the most expensive private residence ever bought. Lakshmi Mittal's wealth of \$ 31.1 billion derives fundamentally from the operation of his steel company, Arcelor Mittal.

With industrial capacity in 20 countries and operations in more than 60, Arcelor Mittal is reputed to be a leader in steel production on most global markets. The company is listed on the Stock Exchanges of New York, Amsterdam, Paris, Brussels, Luxembourg, Barcelona, Bilbao, Madrid and Valencia.

Lakshmi Mittal is also an independent director at Goldman Sachs and serves on the board of directors of the European Aeronautic Defence and Space Company, the World Steel Association, Kazakhstan's Foreign Investment Council, South Africa's International Investment Council and the Investors' Council to the Cabinet of Ministers of Ukraine. He is also a member of the World Economic Forum's International Business Council, the World Steel Association's Executive Committee, Mozambique's Presidential International Advisory Board and the International Iron and Steel Institute's Executive Committee. Closer to home, Mittal is a board council member of the Prime Minister of India's Global Advisory Council of Overseas Indians.

Starting out in the family's steel business, Lakshmi Mittal first began to expand with the acquisition of a run-down steel mill in Indonesia. This purchase initiated his rise as a steel magnate through a process of consistent consolidation – acquiring steel-making units in Europe, Canada, Africa and the U.S. More recently (through Arcelor Mittal), Mittal has put forward proposals for Greenfield projects⁶ for India, Liberia, Mauritania, Mozambique, Nigeria, Russia, Saudi Arabia, Senegal and Turkey. The company employs the strategy of “vertical integration” to streamline production and increase the profitability of its steel-making operations. In addition to owning steel factories, Mittal also controls the essential raw materials, making the company a prominent player in mining of iron ore and coal. These consolidation and vertical integration strategies combine to produce a powerful market-domination – and this raises a number of issues.

Firstly, the consolidation trend has resulted in the creation of huge oligopolies with substantial economic and political weight (as Mittal's connections and his CV testify) that translates into significant control over the market. Secondly, Mittal's success has been based on exploiting weaker industries and regulations (often in fragile or less developed economies) and by turning poor labor standards and wages into profitable, “cost-cutting” business assets. Thirdly, the direct sourcing of raw materials entails a strong involvement in mining, which is, in turn, one of the most exclusive, environmentally and socially destructive economic sectors. Lastly, taking a broader perspective, the growth of metal industries depends on a prevailing ideology that sees over-consumption and industrialization as the ultimate goal of human development.

The policy framework in India is similarly geared to increase production of steel as the country aims at becoming a world leader with a national target of producing 200 million tons of steel by 2020⁷. Demand for steel remains very high domestically and the government has set out an intensive advertising campaign aimed at further increasing domestic consumption⁸ while also looking to increase exports.

Following implementation of India's new Industrial Policy in 1991, the Iron and Steel industry, so far part of a list of industries reserved for public sector ownership and control, was deregulated and exempted from compulsory Government licensing⁹. The New Economic Policy, also passed in 1991, introduced the following changes in India's steel industry:

- After large-scale industrial capacities were removed from the list of industries reserved for public sector ownership and control, the licensing requirement for industrial units expansion was also largely withdrawn.
- The private sector came to play a prominent role in industrial steel production
- Pricing and distribution control mechanisms, so far imposed and regulated by the Government, were discontinued.
- The iron and steel industry was included in the high priority list for foreign investment, implying automatic approval for up to 50% foreign equity participation, subject to foreign exchange and other stipulations governing such investments.
- Quantitative import restrictions, aimed at limiting the quantity of goods that could be imported within a given time, were largely removed. Export restrictions in place to prioritize the domestic market over foreign trade, were withdrawn with a view to promote international trade

The regulatory framework was hence reshaped in a manner to encourage private domestic and foreign participation: other policies related to different economic sectors were hence tailored to similarly encourage private sector involvement. For example, in the case of the metal industries, the New Mineral Policy 2008 altered the existing Mining Framework by introducing considerable deregulation and placing a new emphasis on facilitating the entry of private players into the mining sector. The negative consequences of this favorable treatment were borne by local communities. Violent land wars and conflicts erupted across mineral-rich Central India as mining and steel companies evicted villagers, seized forests and grabbed agricultural land to set up their facilities, leaving behind a trail of displacement, pollution and destruction. Arcelor Mittal naturally found itself tarred by controversy (and faced with strong, local opposition) when it set out to mine iron ore and build steel plants in the resource-rich states of Jharkand, Orissa and Chattisgarh.

The promise of offering investments and technology to promote the privatization of public property and public works has a long history. Back in 2008, Arcelor Mittal put forward a proposal to the Government for establishing a joint-venture to take over the state-owned coalmines held by Coal India Limited.

As public sector units are privatized and small mills and plants taken over, the steel industry has become increasingly concentrated and monopolistic. But even this is not enough: financial advisors and institutions alike have called for even further privatization based on the supposed benefits of "economies of scale." This obsession with efficiency works against the interests of India's small businesses, which are slowly disappearing

to make way for privately owned industrial giants. The proponents of the LPG Mantra argue against offering any offsetting protections for these small and infant industries as well as strongly stressing that public owned companies are inefficient and hence need to be privatized, but this is a clear departure from the approach followed by most developed countries.

In the case of steel, a case worthy of notice is that of South Korea's POSCO. Now amongst the top steel producer in the world (and operated under a consortium of foreign private shareholders), POSCO was originally born and successfully run as a public enterprise. It was privatized not on efficiency grounds, but under IMF diktats as condition of South Korea's acceptance of institutional stabilization loans. That a State owned company can be successful and efficient is a fact often underplayed or left unmentioned by liberalization advocates, a point Ha Joon Chang makes very aptly to illustrate developed countries practice and preach mismatch.

Policies of privatization, consolidation and vertical integration form the pillars on which Mittal's huge steel empires were created. In the absence of competition – or where competitors are too weak to survive without public protection and support – only the strong survive.

2. MUKESH & ANIL AMBANI – *THE RELIANCE EMPIRE* PETROCHEMICALS, PLASTIC, RETAIL, SEZ, OIL & GAS, ELECTRICITY, FINANCE, TELECOMMUNICATIONS

The Reliance brand name is associated, in the public mind, with a multitude of products. Dhirubai Ambani, the company's original founder, is held in high esteem by an Indian public that sees Ambani as self-made man with a dream, whose drive and ambition lead to a rags-to-riches story. Common people embrace Ambani as a symbol of change and emancipation – an example that their own dreams of success might someday be realized.

While it is true that Dhirubai Ambani created an empire from scratch, he was surely backed by the right connections. It is widely accepted that doing business in the era of the license raj, policy of Government regulations and control over economic business through licensing and permits, implied keeping good relations with bureaucracy and politicians. Even after the economy was liberalized and competition expanded, connections continued to provide an important competitive advantage that allowed some companies to flourish massively while others lagged behind. Starting out working at a gas station, Dhirubai went on to become the owner of India's largest refinery at Jamnagar.

In 1958, he launched a small business under the name of Reliance Commercial Corporation, trading in spices; a few years later, he shifted his business into textiles and changed the company name to Reliance Textile Industries Limited. The big break came in 1966 with the set up of a textile mill in Naroda, near Ahmedabad, producing under the brand name Vimal. A few years later, in 1977, Reliance was publicly listed: Ambani managed to raise operating funds from the broad-based society rather than from commercial institutions – thereby initiating what came to be known as the *equity cult*. As the company became more successful, Ambani set out to create an industrial manufacturing complex.

Dhirubai's Reliance was favored by the government – particularly during Rajiv Gandhi's regime, in the decades before formal liberalization, as India's priority in the textile sector kahdi cotton – hand-spun and

woven on the traditional handlooms promoted by Gandhiji (Mahatma Gandhi) as an emancipating tool that promised employment and self-reliance to generations of Indians – was eventually forced into retirement with the arrival of new policies favoring synthetic and machine-made cloth.

When Indira Gandhi was in power, Dhirubhai shared friendly relations both with her and with Finance Minister Pranab Mukherjee. Throughout the years, a number of malpractice complaints were filed against Reliance. The company was accused of insider trading, share-price manipulation and tax evasions. Yet, precisely because of Reliance's acquired status and clout, the public, the media and the political apparatus were wary of taking on the group. The fundamental role that this kind of clout plays in making or breaking business fortunes was demonstrated by the difficulties the company faced when the political leadership changed. Prime Minister V.P. Singh famously became the first PM to challenge Reliance by imposing stricter regulations. As a result, the company's business operations were not running so smoothly.

In the 1980s and 1990s, while Reliance was flourishing, the company began diversifying in a major way. These were the decades of India's economic reforms and its entry into globalization. In the 1980s, the Rajiv Gandhi Government had initiated a set of reforms that included reducing income and corporation taxes to "create incentives" for the private sector. The list of manufacturing items and products reserved for small-scale business sectors was reduced, while several sectors – including telecommunications and cement manufacturing were deregulated.

In the 1990s, the Narasimha Rao government pushed these reforms forward with even greater impetus, focusing particularly on industrial growth. The Government's system of central licensing of businesses was dismantled and private companies were allowed to do business in sectors previously under the sole control of the State. Foreign participation was encouraged, imports were facilitated through a more liberal trade policy, and the Monopolies and Restrictive Trade Practices Act was relaxed to encourage private sector actors to enter previously closed markets.¹⁰

It is against this backdrop that the Ambani family's spectacular rise occurred. As the economy was radically deregulated, liberalized and privatized, the Reliance group (backed by a familiar brand name that ensured the public's continued loyalty and protected by its established economic and political clout) found renewed occasions to grow and consolidate – both by way of diversification and aggressive expansion. Allegations of the company's unfair reliance on political connections did not end with the founder's death – or the subsequent division of the company after a prolonged row between Dhirubhai's sons, Anil and Mukesh. Today, Mukesh heads Reliance Industries Limited (RIL) while Anil heads the Reliance Anil Dhirubhai Ambani Group (ADAG).

Through a process of "backward integration," Reliance diversified its operations to include producing the raw materials for its textile operations, starting with polyester and moving even further back into the production of oil and chemicals. In the following years, the company (through its two arms, RIL and ADAG) began expanding its reach into telecommunications, petrochemicals, power, life sciences, finance, infrastructure, retail, Special Economic Zones and so on.

Privatization was strongly pushed domestically by the New Economic Policy and internationally by the World Bank as a means of "creating competition." Instead, these new initiatives translated into the creation of powerful new forms of private monopolies. Reliance provided an example of what "competition" really

meant under the NEP, with its takeover of one of its leading rivals, the Indian Petro Chemical Limited. Reliance now controls more than 75% of the India's petrochemical market.¹¹

Having become a major player in the oil and gas sector, Reliance Industries Limited (RIL) was the biggest winner during the time of India's economic liberalization. In 1994 the Oil and Natural Gas Corporation (ONGC) became publicly held. In 1997-98, following the impetus of privatization, the government introduced the New Exploration Licensing Policy (NELP), which allows private players to obtain hydrocarbons exploration and production licenses on the basis of competitive bidding. RIL was allotted the largest number of exploration blocks after ONGC.

Despite claims that privatization would stimulate competition and ensure a fair and transparent playing field, the process of allotting licenses has remained largely under the influence of well-entrenched patronage networks dominated by the powerful few. Recently, India's Controller Auditor General reported that the Oil Ministry and the Directorate General of Hydrocarbons (DGH) practice of favoring Reliance's oil business with huge benefits by way of rule-bending, was causing losses to the national exchequer.¹² Reliance Petrol Ltd. was also amongst the largest beneficiaries from the United Nation's Oil-for-Food scam. Oil-for-Food was ostensibly a program designed to provide "humanitarian relief" to the people of Iraq but it soon undermined by a whirlwind of corruption that mainly benefited scores of foreign contractors. (Reliance's role substantially covered up until Arun Agarwal set out to expose the scandal in his riveting book, *Reliance: the Real Natwar*.)

As the volume of RIL's oil pumped from the fields of Andhra Pradesh decreased, Mukesh Ambani embarked on a partnership with the British oil giant BP. In July 2011, the Oil Ministry hailed the \$7.2 billion BP-RIL deal as India's biggest Foreign Direct Investment coup to date. As a result of the agreement, BP, the second largest oil producer in Europe, will gain access to a host of profitable Indian natural resources. The synergy between domestic companies and Western firms eager to enter the Indian market, lured by technology and investment, is increasingly visible. But as business becomes more transnational in nature, it becomes more detached from the original country's local realities.

In another joint venture, RIL has partnered with Australia's UXA Resources Limited to commence uranium mining operations and is lobbying for deregulation of the Indian uranium mining sector to allow private domestic companies to access it. At the same time, RIL is arguing that Indian firms should be granted incentives to secure uranium assets abroad.

A similar fate awaited the telecommunications sector when it was privatized around 1994. With the introduction of a National Telecom Policy, licenses for the telecom spectrum were to be allotted through open and competitive bidding. But what was promoted as a means to increase fairness and accountability produced just the opposite result. Reliance Communications is currently being investigated in the country's biggest scam over 2G-spectrum telecom allocations. (This scandal involved the ruling-Congress party's discounted sale of 1,232 telecom licenses to 85 companies, many of which had no experience in telecommunications.) Reliance Telecom and three ADAG officials stand accused of having conspired to set up Swan Telecom as a front for obtaining spectrum allocations.¹³ India's Telecom Minister Kapil Sibal is currently denying allegations that he favored Reliance by decreasing penalties against the company from Rs 50 crores (over 10 million US\$) to a mere Rs 5 crores.¹⁴ (1 million US\$). Meanwhile, the Center for Public

Interest Litigations claims the actual penalty that should have been assessed would amount to a whopping Rs 650 crores (over 131 million US\$).¹⁵

If the final outcome of such enforcement litigations cannot be guaranteed (given the climate of lax implementation and fraudulent or absent regulatory compliance), the future oversight of questionable business practice will remain under a cloud of suspicion. Mukesh Ambani complained to none other than the Prime Minister that these lingering questions are “denting his reputation.”

Claims of unfair business practices being allowed to operate thanks to political connections and favoritism have always accompanied the Reliance brand. Its activities in the spheres of retail and real estate developments offer some of the starkest examples of how the State-corporate Nexus can work to promote wealth accumulation by the rich at the cost of people’s livelihoods. Through its supermarket chain, Reliance Fresh, the company has brought about a destructive revolution that has devastated India’s small retail sector, in much the same way Wal-Mart did in the United States. If entry into the retail sector was once regulated with an eye to protecting small producers, corporate interests now are succeeding in bringing down the last vestiges of these regulations. For example, India’s private sector has lobbied successfully for 100% Foreign Direct Investment in retail. Currently, Reliance is earmarking plots of agricultural land for future food production. This constitutes the last step in the privatization of the commons, where food becomes a private commodity and is no longer an intrinsic right of the greater human community. In Andhra Pradesh’s Kakinara SEZ, the company has earmarked 200 acres for *Jatropha* plantations for biofuels.

In 2005, the introduction of the Special Economic Zone (SEZ) Act opened up land development as a huge profit-making sector for private domestic and foreign corporations facilitated by massive tax concessions and incentives. Meanwhile, the 1894 Land Acquisition Act, which institutionalized dispossession, was left untouched in its colonial state. Reliance’s resort to violent land acquisition in Dadri and in Haryana offers a chilling demonstration of how the government’s legislative machinery can function to serve corporate interests over the interests of common citizens.

After Reliance declared a Special Economic Zone at Dadri, squads of armed police, acting on Anil Ambani’s behalf, brutally fired on protestors, assaulted locals and destroyed villages as people attempted to resist the corporate acquisition of 2,500 acres of productive farmland.¹⁶ At Jajjar, Haryana, 25,000 acres of fertile land were grabbed by RIL from farmers.

The Electricity Act 2003 and the Energy Conservation Act 2001 introduced neoliberal conditions and deregulation in order to favor private sector participation in the energy and power sectors. These new acts made specific mention of the need to revise the Land Acquisition process to facilitate power-generating industries.¹⁷ RIL has benefited massively from these new laws. In addition to being the leading power distributor in Mumbai and Delhi, Reliance Power’s Sasan power generating plant in Madhya Pradesh has been registered with the UN Clean Development Mechanisms program, which has opened the door for Reliance to claim additional profits of more than Rs 2000 crores from the sale of Certified Emission Reduction credits.¹⁸ The super-critical technology based pit-head coal-fired plant was granted Host Country approval by Minister of Environment & Forests Jairam Ramesh who claimed the project contributes to India’s sustainable development. The news was received with strong criticism by environmentalists as well as climate change experts; in fact, the methodology panel which advises the CDM executive board supported the concerns as the methodology under which firms can apply for offsets by cutting greenhouse gas emissions through more

efficient technology ‘may lead to significant overestimation of emission reductions¹⁹. Besides, to qualify for CER credits the projects must prove that they would be unviable without the additional revenue; the Reliance plant was instead well underway already.

Anil Ambani’s Reliance is also prominent player in the world of finance, providing insurance and commercial services. Ambani’s fortunes have blossomed since the banking and financial sector was gradually privatized beginning in 1992 to allow for the entry of private and foreign entities.

Mukesh Ambani’s Antilla, an ostentatious 27-floor high-rise mansion in Mumbai (“the city of slums”) has come to stand as a blatant symbol of the gross inequality that the current economic and political system of deregulation, privatization and liberalization is pushing forward.

3. THE RUIA FAMILY – *ESSAR GROUP* STEEL, MINING, OIL, POWER, TELECOMMUNICATIONS

Liberalization has similarly favored the fortunes of another family, the Ruia tribe of Mumbai. The Essar group, set up in 1969 by brothers Shashi and Ravi Ruia, exploited new avenues of profit accumulation and proceeded to establish a varied business empire that rocketed the brothers onto the world’s billionaires list.

Born into a business family, the Ruias started off as owners of a construction company. The turning point in the Ruia’s saga came with the deregulation and liberalization of India’s economy. During the 1980s, India’s state-operated shipping and drilling sectors were opened up for private business. During the 1990s, most of the remaining sectors – including power, telecommunications, mining, ports, roads and banking – were liberalized. The Essar group took advantage of these newly available avenues and substantially increased its wealth after having initiated a process of business diversification in steel, oil, gas and telecommunications. India, Indonesia, Canada and North America now host Essar’s steel manufacturing facilities while its retailing and processing activities cover India, Indonesia, the UAE and the UK.

As part of the “backward integration” of its steel-making ventures, Essar now is involved in mining operations in India, Indonesia, Mozambique, Brazil and the U.S. These efforts are focused on excavating iron ore (for a total reserve of 1.6 billion tons) and coal (for a total of 450 million tons).²⁰ Growing domestic demand from the steel industry in a newly industrializing India has led to a boom in metals prices. Minerals are increasingly highly valued on the international market: increasing scarcity at a time of rising industrialization and urbanization continue to be significant factors pushing demand.

While it must be said that developed economies’ mineral and metal consumption has suffered from the effects of the global recession, which has caused the closure of smelters and plants, developing and emerging economies have not abandoned plans to scale-up their capacity, production and consumption. This trend – also arguably favored by carbon-trading approaches to mitigate climate change – is based on a model of “outsourcing of pollution,” the resource-intensive, resource-hungry and environmentally damaging industries like steel and iron and aluminum and automobile manufacture are increasingly being shut in the West and opened up in the East. This is happening with polluting metal smelters and even with nuclear power stations,

as global capital moves across borders to run invasive, polluting business; as global divisions of labour dictate which country should produce what most cheaply; as the CDM reverses the principle that polluter pays.

If India is on the receiving end of “pollution outsourcing,” it is also actively reproducing the same model as Indian corporations target fragile countries with weak regulatory systems as convenient locations to relocate their unsustainable operations. Human Rights Watch has raised an alert about Asian, European and North American companies that are still investing in Burma/Myanmar despite the fact that foreign financing serves to support a military junta accused of multiple human rights abuses. In a bid to control the world’s remaining oil and natural resources, these resource-hungry foreign interests are fuelling conflict and violating human rights from oil-rich Burma to mineral-rich Central India. Amongst the Indian companies that have not divested their holdings in Burma/Myanmar are GAIL, ONGS Videsh, Sun Group and the Ruia family’s ESSAR Oil.²¹

It is often the case that the regions or countries with the richest mineral and natural resources are also amongst the most impoverished and are often torn by armed conflict, if not outright civil war. In India, too, as the government went ahead with its privatization program, Essar was granted a prospecting license in Dantewada, Chattisgarh State,²² one of the regions most affected by violent resource wars. Similarly, the creation of Essar Steel’s plant in Dhurli, Dhanbad State, required the forceful acquisition of 600 hectares of land²³ at the cost of the locals’ livelihoods, human rights and democracy. Interestingly, the Salwa Judum, a violent anti-Naxal civilian militia operation armed and equipped by the Government, was launched on the same day as Tata Steel and Essar Steel signed Memorandums of Understanding for the set up of steel plants in the region.

This trend of plunder-and-profit by seizing oil and mineral resources – encouraged by deregulation and privatization in mining policies – offers a stark example of the process of wealth accumulation by encroachment and dispossession. First, common property resources are privatized for individual accumulation; secondly, the industrial-capitalistic sector expands by encroaching and expropriating the living space and resources of pre-capitalist sectors;²⁴ thirdly public utilities become private-sector domains, thus allowing for private wealth accumulation. Essar along with Tata now control a great part of the Sabri River in Chattisgarh, which they use for their industrial operations.²⁵ Water and land “give-outs” to corporations have impoverished locals and blocked their access to essential resources linked fundamentally to their very right to life.

Up until, July 2011, Essar Group also controlled Vodafone Essar, India’s third-largest telecommunication provider. Essar Group held 22% through its Mauritius arm as well as an 11% stake through the Indian Joint Venture. The total of the shares was sold back to Vodafone in two transactions, leaving 26% ownership with Indian shareholders.

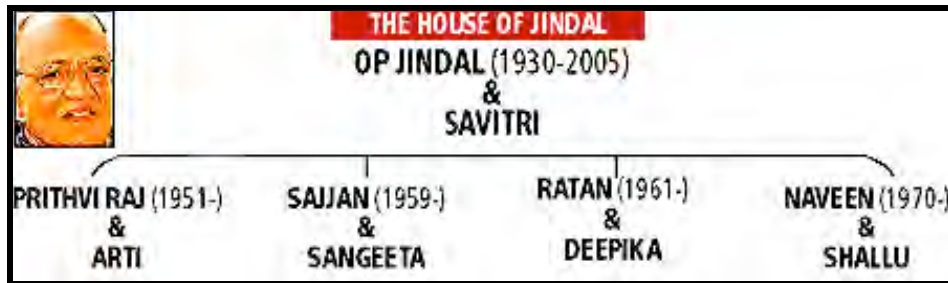
Only few months earlier, Essar Group’s CEO Prashant Ruia was questioned by the Central Bureau of Investigation in relation to its involvement in the 2G-spectrum scam. Nevertheless, the newly appointed Corporate Affairs Minister Veerappa Moily confirmed his intentions to proceed with the investigations into the role played by Loop Telecom as an alleged cover up for Essar-Vodafone to obtain favorable spectrum allocations. From a regulatory point of view, Loop was ineligible to receive allocated licenses. Yet, the company has so far been given a clean chit by the Corporate Affairs Ministry headed by Murli Deora, who

resigned in July 2011 ahead of a Cabinet reshuffling – quite possibly in sight of pressing allegations of his connections to powerful business groups that he may have favored, including Reliance.

4. THE JINDALS – *JINDAL STEEL AND POWER LIMITED* MINING, STEEL, POWER, INFRASTRUCTURE

Jindal Steel was started in 1952 by O.P. Jindal, a farmer’s son, who began by trading in steel pipes. He moved on to manufacturing steel pipes and fittings and opened his first factory near Kolkata. In a pattern familiar to other billionaire family companies, the Jindal group took advantage of expanding via “backward integration.” While steel remained the primary focus of business, the company went on to diversify its holdings to include a wide portfolio ranging from mining operations to power generation, infrastructure projects and telecommunications, making it one of India’s biggest private conglomerates.

Since the founder’s demise, the Jindal family’s assets have been managed by his widow, Savitri Jindal, and the couple’s four children, PR Jindal, Sajjan Jindal, Ratan Jindal and Navin Jindal. Under a complex cross-ownership agreement, each brother holds the largest holding of the arm he manages while holding shares in the all the others’ business operations.²⁶



Source: *The Financial Express*: What not for the Jindal empire?

Politicians, bureaucrats and business houses in India are not only a closely-knit clique; indeed, in many cases, their roles appear interchangeable. Savitri Jindal, India’s richest woman, is also a Congress Member of the Legislative Assembly and was Minister of State for Revenue, Disaster Management, Rehabilitation and Housing in Haryana. Navin Jindal is a standing Member of Parliament. Before his demise, O.P. Jindal was also active in politics, winning a seat in Haryana State Assembly in 1991 and in Lokh Sabha in 1996. At the time of his death, O.P. Jindal was also Power Minister in Haryana²⁷.

The Jindal Group also has resorted to forceful land acquisition to further its mining and industrial operations, opening way for additional violence and repression. In November 2009, a bomb blast targeted a convoy containing the West Bengal Chief Minister and Union Steel Minister Paswan. Their vehicles were returning after having inaugurated the Jindal Steel plant at Salboni. This incident unleashed a fury of brutal repression on the part of the police forces. The corporate-led scramble to exploit Central India’s natural resources, land and minerals particularly, justified by the corporate-state in the name of development comes with dispossession and the expropriation of the commons for private interests as well as Constitutional and human rights violations; this is fuelling the Naxal conflict, the armed struggle between people who have resorted to violence to protest exploitation, loot and forceful displacement, and the Government, which acts through police forces that routinely, in the name of anti-Naxal operations, resort to unrestricted violence. Following

the bomb attack, several local boys and young villagers were labeled as Maoists and harassed, while three innocent tribals were killed in a clash with police.

In another case of expropriation of the commons, Jindal Steel and Power Limited (JSPL) was widely protested in Orissa after it acquired forest and community land for the construction of a 12.5 MTPA (million tonnes per annum) steel plant without providing compensation to the local residents.²⁸ The locals complained that what the government calls its property is actually a community managed resource. They argue that the non-recognition of common property for the sake of private appropriation constitutes the central weapon in the unequal battle of accumulation by dispossession. The protests were inflamed by death of an indigenous Adivasi tribal woman (who died while taking part in a hunger strike protesting JSPL's takeover of water from the local river to cool the furnaces of its steel plant).²⁹ Stories of distraught farmers forced to become casual laborers after being displaced from their ancestral lands near the Rabo village tell another tale of the human impact of privatization and of the broader trend that allows industries a free run as far as resources and regulations are concerned. Dams built by private companies have risen aplenty across rural India – even in defiance of Governmental objections – robbing common people of livelihoods, land and water.

Jindal Steel is among the top tier of companies profiting through a more covert route: JSPL is building one of the world's largest Clean Development Mechanism (CDM) projects in Chattisgarh. Clean Development Mechanisms were born as an initiative to fight climate change through Carbon Trading. Jindal's sponge-iron plant, spread over 320 hectares in Chattisgarh, is supposed to help address climate change. Instead, JSPL's plant is polluting groundwater, air and contaminating crops.³⁰ Through such CDMs, companies claim benefits (often even in contravention with the CDM policy itself). Polluters also profit from this newly opened commercial opportunity in several ways. Meanwhile the ability of CDMs to reduce Greenhouse Gases remains controversial. CDMs function by establishing a system of “outsourcing pollution” that actually benefits polluters.

Using CDMs set up under the Kyoto Protocol, countries obtain a carbon emission certificate that can be then sold through the free market. These certificates have been criticized as a way to buy a “permit to pollute.” Instead of actually reducing their greenhouse emissions, developed countries are buying these certificates from developing countries to meet their production targets without having to reduce their carbon pollution. At the same time, Indian companies transfer the costs of their profit making and pollution to communities and the environment only to gain additional benefits and even a green reputation through the CDM façade.

In July 2011, the Karnataka Lokayukta (Ombudsman) for Karnataka State found three companies (NMDC, Adani Enterprises and the Jindal Group) guilty of “financial irregularities” and trading in illegally mined iron ore³¹.

5. GAUTAM ADANI – ADANI GROUP INFRASTRUCTURE, OIL, ENERGY, REAL ESTATE, AGRICULTURE

Gautam Adani started out as a diamond trader, but he went on to accumulate a huge fortune as one of India's most powerful industrialists. Adani has prospered by building infrastructure (including ports) and through real estate development, power generation, oil and trade in agricultural commodities. His first break came when his brother purchased a plastic manufacturing unit in Ahmedabad, which Gautam was invited to run.

Importing polyvinyl chloride (PVC) as a raw material for the business, Adani did not see the group's profits soar substantially until after the liberalization of India's economy.

The policies of the '90s were strongly centered on facilitating foreign trade. As tariffs were slashed and trade barriers removed, import and export became a thriving business. Taking advantage of this favorable environment, Adani went on to build his empire through an uncanny ability to adapt his business to the local economic and political climate. Adani is known to share friendly relations with Gujarat's Chief Minister Narendra Modi and he regularly makes contributions to the conservative, free-market-friendly Bharatiya Janata Party (BJP) yet maintains good relations with the liberal Indian National Congress (INC).³² The billionaire's companies – Adani Enterprises, Adani Power and Mundra Port and Special Economic Zone – have grown in sectors that have significantly benefited from liberalization and deregulation. These free-market initiatives have given Adani greater access to raw materials through mining, land and real estate development through infrastructure, and his Special Economic Zone has undertaken a number of extremely profitable ventures since 1991.

The Mundra SEZ is the largest in India. Spread over 10,000 hectares of land, its creation caused the destruction of a rich mangrove ecosystem that once lined the coasts of the Kutch Gulf. Destruction of the mangroves has had severe consequences on water availability, fishing activities and livelihoods of the local population.

A representative of the National Fishworkers Forum clearly framed the problem as one of mal-industrialization at the expense of traditional livelihoods: "Hazardous units, manufacturing petrochemicals, pesticides and agrochemicals, have mushroomed along the Gujarat coast. Refineries and private ports have compounded the misery of people living in these areas. Our survey shows that the worst culprits are the Adani group, which is building a port at Mundra, Sanghi Cement Company in Sanghipur in Saurashtra and Atul Agrochemicals in Bharuch."³³

The SEZ and its captive port were developed in the prohibited coastal zone after the Adani group presented misleading evidence of its plans to obtain necessary clearance. Nevertheless, the regulatory scenario works to the advantage of big business houses rather than forcing compliance with existing legislations. The Coastal Regulation Zone (CRZ) notification prohibiting development on coastal areas was amended in 2002, then again in 2011 by India's Ministry of Environment and Forests. The Ministry's ruling allowing for industrial development in fragile coastal ecosystems was accompanied by a telling remark by then-Environment Minister Jairam Ramesh who reflected that India "must get used" to such industrial plants being located in fragile coastal areas.

Thanks to government policies, Special Economic Zones (SEZs) have emerged as huge moneymaking enterprises for private developers. The relaxation of regulations and the wide application of the Land Acquisition Act have resulted in land being acquired cheaply in prime locations, with sufficient infrastructure and close to urban areas. The Act has been the instrument to facilitate the rulers' takeover of land under the notion of "eminent domain" i.e. that the State has overwhelming power and control over the country's resources. Through the invocation of the broad and ill-defined 'public purpose', the Government has promoted takeover of land for very private profits under pretence of public good. State agencies act as agents and facilitators in the process, favoring industrial houses at the expense of local farmers and citizens. SEZs bypass most of the country's relevant legislation, including requiring Environmental Assessments as part of

the application for expansion through new units.³⁴ On the other hand, developers are attracted by the offer of tax holidays and financial incentives, framing SEZs as gated enclaves for very private profit making. Adani's Mundra Port and SEZ, for instance, stands like an island on its own – completely furnished with private schools, private hospitals and exclusive residences for the very rich.

Adani also profits massively from mining – probably one of the most environmentally damaging and socially impoverishing activities short of war. In a bid to control raw materials at the source and given the domestic constraints, such as infrastructure and high demand Adani's company has bought up mining assets across Australia, Africa and Asia. In India, Adani operates two coalmines in Chattisgarh and one in Orissa. It is also the country's largest importer of coal. Once again, the claim that introducing competitive bidding in order to allow for private competition and transparency was proven to be vacuous. A case in point: the Punjab State Electricity Board has been accused of having favored Adani over other bidders for a tender to import 22 lakh [2,200,000] metric tons of coal for its power plants. This apparent act of favoritism resulted in a 100-crore loss for the national Treasury.³⁵

It is such instances that stand out as glaring examples of the contradictions and failures of the Indian growth story. The old networks of patronage and influence are still very much in place. They continue to work by concentrating favors and resources within the liberalized economy. In addition, the very process of deregulation and the removal of welfare provisions that accompany neoliberal growth have left common citizens at the bottom of an exploitative chain. Meanwhile, the bureaucracy, the corporate tycoons and political agents collude in exploiting every avenue for personal accumulation. Not only are public goods no longer provided, they are simply snatched away – becoming accessible only through purchasing power. The fishermen of Mundra are fighting their case in court but they realize the importance of political connections: they know their bargaining power will never match that of one of India's greatest oligarchs.

Adani has been assigned a contract for building a 1320-MW coal-fired thermal power plant in Chindwara. The adjacent Pinch River will be diverted for the project. The land for the project is agricultural land. Farmers have been protesting against the displacement caused by a planned dam and the Adani power project.

At 6 PM on May 24, 2011, two local Kisan leaders, Dr. Sunilam and Aradhana Bhargava of Kisan Sangarsh Samiti were attacked by goons hired by Adani Power. Their car was smashed. Dr. Sunilam suffered a head injury and both his arms were broken. As a press statement issued by the Peoples Union of Democratic Rights states: “the attack by Adani Power Limited's armed goons is yet another instance of how powerful corporate houses are resorting to organized violence perpetrated through their private mafias to silence those who come in the way of their interests and break peoples' attempts to organize on issues of land, water, forests.”³⁶

The Ombudsman (Lokayukta) report on mining in Karnataka found Adani involved in illegal mining and recommended that Adani enterprises be blacklisted and its port lease cancelled.³⁷

6. SUNIL MITTAL – *BHARTI AIRTEL* TELECOMMUNICATIONS, RETAIL

Sunil Mittal founded Bharti Enterprises in 1976. Bharti Airtel, his flagship company, is the largest phone operator in India and now stands as the world's fifth largest telecom operation with business spread across 19 countries. Starting out modestly as a bicycle part maker, Sunil Mittal moved to Bombay in search for a more favorable business environment. Once in Mumbai, he entered into the international trade arena by beginning to import different products, zinc, brass, plastics etc. Mittal says it was at this point that he learned to navigate the Indian regulatory environment. It was precisely around this time that the country's economic scenario also began changing substantially. Mittal acknowledges that as the trade and regulatory barriers came down, his company's fortunes turned and Mittal became one a tide of entrepreneurs who rose to great heights advantaged by deregulation and de-licensing. Previously, the telecom sector had been restricted by the constraints of manufacturing capacity, importing and exporting. Mittal recalls how from strict Government regulation, one day the Government suddenly announced that licenses were no longer required to run businesses. "From controlling what you could do [snaps fingers] it was gone in one day."³⁸

Today, Bharti Airtel is expanding beyond India's borders: focusing on Africa, it is striking deals with local providers across the continent and has acquired assets in more than 16 African countries.

Sunil Mittal's name came up recently in the ongoing Government investigations over the 2G-spectrum scam. Lobbyist Niira Radia mentioned the tycoon in one of the taped conversations regarding the fixing of the Telecom Ministry. Radia hoped to find a way to favor her big-business clients, including Tata and Reliance ADAG. The allocation of the 2G-spectrum certificate was found to be absolutely tainted by powerful vested interests, some of which have been brought to justice while others managed to get a clean chit. While Sunil Mittal spoke in support of the investigation, he also has argued against the Telecom Regulatory Authority of India's (TRAI) attempts at regulating spectrum price. Mittal insists on advocating for competitive bidding, even at a time when the evidence clearly indicates that unfair and corrupt practices were routinely involved in the process.

As the head of Airtel, Mittal is a leader in the telecom sector, but he is also involved in retail through a controversial partnership with the giant U.S. supermarket chain, Wal-Mart. Mittal has forged the alliance with Wal-Mart in hopes of introducing a chain of hundreds of similar retail stores across India.

Wal-Mart is already widely despised in its home country for its destructive impact on the small retail sector. In India – where this sector counts, at a minimum, 40 million small retailers – the effects of bringing Wal-Mart's to India's cities and towns will be equally if not more devastating.

The move is one last step in the corporate sector's ultimate strategy to hijack the entire food chain – from seed to table. As corporations increasingly control everything from production to marketing and distribution, the local food system in India is being undermined – with severe consequences for common people. Under the corporatizing process, food ultimately becomes just another commodity and henceforth ceases to be treated as a fundamental right intrinsic in our right to life.

7. RATAN TATA – *TATA GROUP* STEEL, ENERGY, AUTOMOBILES, CHEMICALS, TELECOMMUNICATIONS, AGRICULTURE, PHARMA, CONSTRUCTION, AEROSPACE

Tata is not only a household name in India, but it is also one of the country's most renowned brand names around the world, where it is considered a symbol of renaissance India. According to the Reputation Institute, Tata is the second most-trusted brand in India and the 11th most-reputable brand in the world. Ratan Naval Tata, the fifth-generation chair of the country's biggest private conglomerate, is also one of the most respected and trusted tycoons. Unlike the other billionaires, he does not appear in the Forbes list: this is because the majority of his company's shares are held under his charitable trusts.

After looking after the family's Tata Steel business in Jamshedpur, Ratan Tata was appointed to head the company in 1991. Under Ratan Tata, the company began its international operations and went on to become the giant that it is today – with 96 companies and operations spread over 56 countries. Out of these, the steel business remains the country's largest, followed by Tata's automotive empire and the company's outsourcing services.

As the economy was liberalized at the time of Ratan Tata's appointment as company chair, the firm had been shedding a number of less relevant activities in hopes of achieving global competitiveness and domestic leadership. Ratan Tata is said to have foreseen and strategically anticipated the economic restructuring, thereby managing to use it to its advantage. By streamlining and refocusing operations while also initiating mergers and acquisitions on an international scale, he transformed Tata Sons into a group that could not only benefit from the reforms of the 90s but also rise to become a leading conglomerate. Providing everything from salt to luxury cars and service delivery, Tata Sons made it to heights of success. Admirers attribute Tata's success to its ability to deliver goods and services tailored to the needs of the every sector of the public, providing everything from luxury items to cheap options for the less-well-off.

Tata also stood apart thanks to its numerous charitable initiatives – including a “better than the rest” rehabilitation policy for people displaced by industrial projects – and this has granted the company an aura of trust and benevolence. But there was another side to this growth story. While to many, Tata represented admirable business acumen in the service of his company and consumers, to another set of people, Tata has meant something quite different: loss of land, loss of livelihood and loss of life. The Tata groups have, in fact, been involved more or less directly in many environmental and social conflicts stemming from its industrial operations. Tata Steel, in particular, has been at the center of numerous controversies including the Dhamara Port project in Orissa. Operated through a joint venture between Tata Steel and L&T (Larsen & Toubro), Dhamara Port was found to be in violation of Forest Conservation Act, yet despite this ruling and despite huge protests, the project was allowed to operate in an ecologically sensitive area, without due assessment of the baseline ecology, the impacts of pollution and operations on the nearby Sanctuary and nesting site for the Olive Ridley turtles and on the broader ecosystem.

As the government deregulated mining and mineral processing, the Tata company began to eye the uranium mines in a fertile agricultural zone in Tamil Nadu. Tata proceeded with its plans to mine this uranium despite encountering opposition from a local population that was prepared to resist land dispossession, livelihood

destruction and environmental degradation. Similarly, in Orissa and Jharkand, planned land takeovers to make space for Tata Steel plants, led to the killing of innocent Adivasis and the injuring of many women and children.

The most infamous instance of Tata's forceful land acquisition occurred at Singur in West Bengal State. This region, once famous for land reforms aimed at empowering landless laborers and small farmers, had succumbed to neo-liberal pressures and, under Chief Minister Bhattacharya, embarked on a path of intensive industrialization to make way for private investments. As part of this ambitious plan, land in Singur was acquired for a plant to build Tata's Nano, the world's cheapest car, costing only Rs 1 lakh (2000 US\$) But what was presented as a milestone for the country's common man, actually translated into a spectacle of violent repression as thousands of police brutally put down local resistance to the forceful land takeover. The company was forced to relocate and build its line of Nano's elsewhere.

When Mamata Banerjee, a former resistance leader came to power as West Bengal's New Chief Minister, one of her first acts was to pass a resolution for a Land Bill designed to return the seized land to the original owners. Tata challenged the move in court, labeling it "unconstitutional" and lamenting the protestors' nonviolent occupation of the land, at night and without prior notice or consent. Isn't this the crux that protesting farmers constantly face whenever State governments grab land for corporations? As has happened in too many other sites, the farmers' cries were met with teargas, fire, bullets and charges of police armed with lathi – India's version of a truncheon.³⁹

Tata was also involved in land grabbing in Kalinganagar, in the State of Orissa where 13 tribals were killed. In Gopalpur, Orissa, protests forced Tata to abandon plans to build the Gopalpur Steel plant.

Still, the TATA name remains practically stain free. Because the company's charitable initiatives have granted it a considerable degree of respect and justification, the general public tends to overlook such violent instances as an act of the State alone. And once these episodes are placed in a context of "industrialization and development" even forceful operations come to be accepted as needed. This falls in line with the idea that "someone has to pay the price for the country to develop." It also builds on an outdated view that those living outside the industrial-consumerist model are retrograde, poor and in need of rescue.

Such regressive thinking leads to the acceptance of dispossession and the destruction of traditional livelihoods, as long as a top-down option is presented as the "modern alternative." Tata Steel Vice President H.H. Nerukar's words on the rehabilitation of Adivasis and other rural communities go a long way in explicating this mentality: "Tata Steel has improved the standard of living. There are many special initiatives for tribal development. In spite of doing this, tribals have not reached where they ought to have, even in Jamshedpur. Tribals have to be looked after much more." And further: "These people haven't seen anything positive in life. So, we'll give them training. It will be a residential course. We'll take them and give them 10 days of attitude training. We'll get them to quit their habits."⁴⁰

8. ANIL AGARWAL – *VEDANTA RESOURCES* (ALUMINUM, COPPER, ZINC)

The 12th richest Indian in the Forbes List (and the world's 154th richest individual), Anil Agarwal was born into a business family already involved in manufacturing aluminum conductors. He went on to found his own company, Sterlite Industries Limited, and proceeded to expand his metal empire by acquiring previously government-owned assets. In 2001, thanks to the government's privatization program, Agarwal's company was able to acquire 51% ownership of the previously publicly owned Baharat Aluminum Company Ltd. (BALCO), for a giveaway price. BALCO was allegedly worth Rs 3,000 crores [approximately 613,000,000 US\$] whereas the deal with Agarwal totaled only Rs 551 crores. [approximately 113,000,000 US\$] At the same time as the takeover, Agarwal also signed a Memorandum of Understanding under which the Orissa Government was to supply of iron ore to Agarwal's newly acquired plant.

In 1974, BALCO had become the first Public Sector Undertaking (PSU) to begin producing aluminum in India so Agarwal's 2001 takeover of the historic plant was widely protested. Chattisgarh Chief Minister Ajit Jogi joined the public protests in support of striking BALCO workers opposed to the takeover. The case was brought to the Supreme Court with Agarwal's critics arguing that the sale violated national laws written to protect the rights of tribal people, in particular, the V Schedule of the Indian Constitution, which states that tribal land cannot be transferred to private owners. Chief Minister Jogi also filed serious corruption allegations against top political figures, while protesting the Central Government's attempts to bypass the Chattisgarh State Government. The bureaucratic apparatus remained unfazed, however, and (as is often the case) the deal was justified on financial grounds.

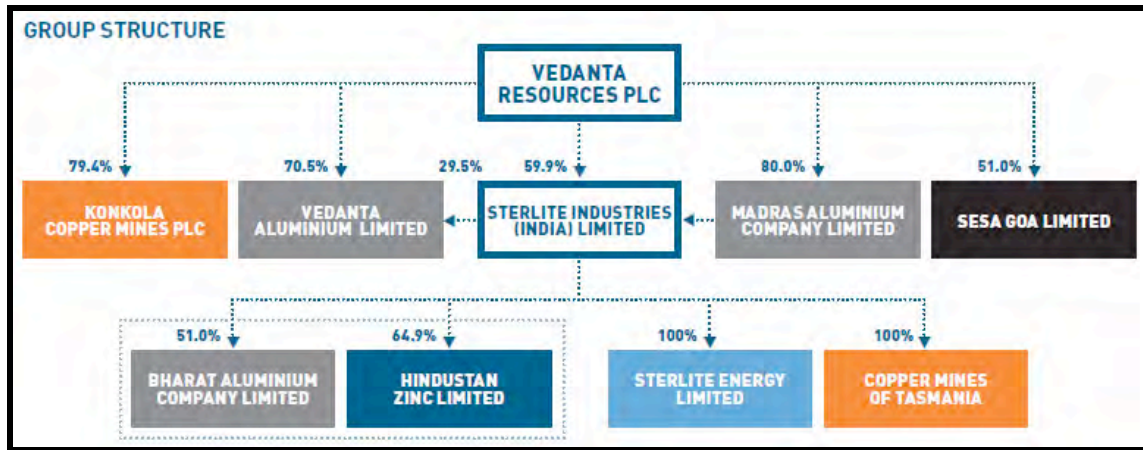
Local people were quick to understand how the policy of privatization that the government was so vigorously pursuing would spell disaster for the disadvantaged and marginal communities of the country. The protesters had a clear vision of how, once BALCO's public assets were placed in private hands, they would have forever lost rights inscribed in the Constitution. Agarwal's takeover of BALCO illustrates, once again, how wealth is accumulated through dispossession. Land that had originally been recognized as tribal land protected by the Constitution, became "publicly owned" when the Government acquired the property (for a mere Rs 20 per-acre) under the "public purpose" exemption. Ultimately, land that had historically been recognized as tribal property was transferred to a private company. While the transfer generated profits for Sterlite's shareholders, the deal clearly violated tribal Constitutional rights, increased regional insecurity and undermined the livelihoods of the local residents.

Similarly, the government's proposal to divest from the National Aluminum Company Limited (NALCO) was received with huge protests from the public, trade unions and political parties. Vedanta's Sterlite and Hindalco were among the top bidders. Acquiring NALCO would make Agarwal India's largest player in aluminum and copper. He also bought a majority share in the formerly government-owned Hindustan Zinc Limited (HZL) and in the Madras Aluminum Company. Agarwal recently proposed to buy out the government's remaining 49% stake in BALCO and 29 % in HZL. Agarwal's Sterlite also owns 51% of SESA Goa, India's largest iron-ore producer and exporter: the deal raised allegations of severe financial irregularities and came under the scrutiny of the Serious Fraud Investigation Office. Other questions were raised about the NALCO divestment move after it was pointed out that Finance Minister (now Home Minister) P.

Chidambaram was, in fact, on Vedanta’s board of directors before becoming Finance Minister, a conflict of interest which has raised very serious questions.

While divestment advocates often can make sound arguments for selling off the government’s money-losing PSUs, investigators deemed the BALCO and NALCO buyouts were unnecessary since both state-owned companies were successful operations running at a profit: it made no sense to sell them to private interests – especially at such meager rates. The big winner clearly was Agarwal. Owning and managing the ex-PSUs would allow huge turnovers owing to near-total market domination and free access to the State-owned hugely sought-after raw materials – the iron ore, bauxite and other mineral riches that lie deep in India’s earth.

Anil Agarwal’s strategy of buying out PSUs has paid out handsomely by allowing him to create a lucrative quasi-monopoly in aluminum, copper and zinc that has propelled his rise in the Forbes list of India’s dollar billionaires.



In 2003, the listing of Vedanta Resources on the London Stock Exchange made it the first Indian company listed on international markets and this move proved to be a turning point for Agarwal’s richness.

Unlike others who managed to maintain a good name despite serious malpractice allegations, Agarwal’s ill reputation grew along with his business plans. Vedanta’s most egregious move, and one that shot its chairman into the top tiers of corporate infamy, was a callous attempt at mining bauxite from the hills of Niyamgiri, part of the ancient homeland of the Dongria Kondh, one of India’s protected indigenous Primitive Tribal groups. Niyamgiri means “the mountain that upholds the law of the Earth” and local residents revere the mountain as a “living God.” The Dongria Kondh reside inside the mountain’s cover of thick and lush vegetation and thrive within a strongly knit community that lives and functions according to the laws of Nature.

The Dongria Kondh do not require a legal framework to determine how and when they are permitted to access and use their resources: their own ancient principles of sustainability, equity and community guide their lifestyle. Yet it is precisely this system – and even ideology of “common property resource” – that has been bashed by the advocates of divestment and privatization. The institutional system based on individual rights not only fails to protect customary values of indigenous people, but it also threatens the implementation of any rights at all.

Despite having introduced specific legislation such as the 2006 Provisions for Extension Scheduled Areas (PESA) and the Forest Rights Act to “undo centuries of historic injustice” suffered by tribal groups in India, the government has repeatedly failed to impose the same operational prohibitions on corporate-led industrial initiatives, hence leaving business leaders free to deny tribal land-dwellers even most basic rights enshrined in the Constitution.

The model of development that has been promoted is authoritarian and top-down and, hence, totally undemocratic. The imposition of an alien way of life and an imposed system of foreign governance has had devastating consequences on traditional livelihoods. As Vedanta lobbied hard to feed its aluminum smelters by mining bauxite from the rich hills of Niyamgiri, the Dongria Kondh faced displacement, loss of livelihood and, ultimately, genocide.

The Niyamgiri battle is probably the most revealing demonstration of the link between wealth accumulation for the few and impoverishment for the many. Vedanta’s predatory *modus operandi* clearly uncovers the connection between privatization, accumulation by dispossession, and the infringement of rights and regulations that occur when the State becomes an agent of forced industrialization.

CONCLUSION

India is commonly hailed as “the world’s biggest democracy.” It is also famously one of the most multicultural, multilingual and multiethnic countries in the world. Its Constitution incorporates provisions and principles from a number of other Constitutions in an attempt to design a framework for the protection and empowerment of all segments of the country’s extremely diverse society. India is also celebrated as one of globalization’s “winners,” a country whose GDP has picked up and remained higher than most other world economies.

But presenting India exclusively as a “miracle growth story” fails to account for the greater reality. The grim fact is that, out of a population of one billion, only 50 have attained sufficient wealth to sit among the world’s richest individuals. The extravagant wealth of 50 billionaires is no reason to feel proud – not when this “success” is contextualized within a country that cannot feed half of its children. Nor is it reason to gloat about the success of globalization – whose failures become apparent once the victims of the wealth-creation process are included in the picture.

A closer look at the means through which such riches were achieved forces the question: is wealth really being “created” or is it mostly being redistributed from the weaker to the more powerful? India’s founding social policy has similarly inverted. From a political philosophy based on advancing the ideals of social justice and equity, India has increasingly adopted a series of governing theories dangerously based on crony capitalism – where rights and fortunes are increasingly dependent on who you know and what you possess.

What does this mean for citizenship? What does it mean for development? When huge monetary wealth is accumulated through the dispossession of the vulnerable only to be applauded globally, citizens lose faith in the system and lose faith in democracy.

The government professes an interest in promoting inclusive growth: yet what this has come to mean for India's majority – agricultural communities, fishermen, landless laborers, Adivasis and tribals – is the destruction of homes and livelihoods, the loss of a sense of community and kin. What is gained in exchange is the superimposition of an alien way of life – a fundamentally unsustainable one – where wealth translates into nothing more than consumerism, the pursuit of material possessions and overconsumption in a dense, urban context. The word “rural” has come to mean primitive, non-consumerist and poor. If the success stories of a few billionaires are the yardsticks we use to measure progress and growth, we might say India has been successful. But India's “miracle story” is actually a work of fiction – a biased and partial perspective that ignores the unrelieved misery of millions.

If we do account for those who have lost their land, their sustenance, their homes and even their lives in the battle between these two opposing paradigms, surely the story of India's “miraculous growth” takes a hit. If we account for the hectares of land diverted for industries and, hence, removed from food production, that's another hit. If we start factoring in the increasing costs of food imports and of healthcare (compounded by increased exposure to industrial pollution, chemical exposure, and a range of “lifestyle diseases” attributed to the extremes of poverty and overconsumption) and then add the costs of internal conflict and growing extremism, it becomes fairly evident that the end result will look much different than India's “Shining Miracle.” And, if we start accounting for the impacts of the LPG “revolution” in social and environmental terms, we will realize that it is not just the present that is at risk but that our future is at stake, as well.

The process of integrating with the global economy– which is fundamentally centered on the neoliberal tenets of deregulation, privatization and opening new markets – has had a tremendous impact on the Indian and the global economy, on governance and on society. The shift of ownership from public to private control – privatization – has been imposed in the name of efficiency. Deregulation, its byproduct, has created a free-wheeling, business-friendly environment that encourages companies to seize properties and assets previously held in the public domain and operate them, not for the public good, but according to their own bottom-line rules and standards.

According to the LPG Mantra, self-regulation alone should be sufficient to ensure a company's compliance with laws and policies; yet extensive evidence has proven this claim fictitious. But even as projects laced in illegalities, misdeeds and unfair practices continue to be exposed – more often than not, these activities have been condoned. One of the foremost issues that has arisen with the growing dominance of private actors has been the so-called “enclosure of the commons” in which resources born as common property are taken over and henceforth treated not as an entitlement but as a function of purchasing power. In such a situation, the common historical heritage of people's traditional income and livelihoods are simultaneously and irreparably destroyed. In the official discourse (as well as in practice), these grim and wrenching local realities fail to be accounted for – only the most positive assessments of globalization's impacts are admitted to the debate.

Similarly, “the rise of the Indian billionaires” has been hailed as proof of the neoliberal paradigm – i.e., that LPG opens up avenues for wealth creation. But this is only a partial picture that accounts for none of the lasting social, economic and environmental costs – and refuses to accept the failure of the “trickle-down” paradigm. An impartial analysis of the processes that sponsored the rise of Indian billionaires reveals that what is presented as wealth-creation is instead wealth-accumulation – achieved through dispossession of the poor and encroachment on the commons. In practice, this “success story” required removing wealth from a broadly shared community base and concentrating it in the hands of a small elite at the top of the economic pyramid.

While it is worrying enough that India's growth is following such a lopsided pattern, it is even more troubling to realize how the few powerful individuals at the top are becoming increasingly denationalized. As they collaborate with their other super-rich counterparts at home and abroad, billionaires in India (and elsewhere around the world) are becoming increasingly removed from the reality of their own countries. And this trend towards "cultural globalism" is not limited to multinational corporations, even domestic businesses are becoming increasingly rootless as the drive to increase profits pushes them into new partnerships and joint ventures, mergers and acquisitions the world over.

Foreign companies eye the dynamic Indian economy both as a vast, potential market for goods and services and as an open door to gain access to India's wealth of natural resources. Indian companies are following this lead, either to avoid domestic regulation (where it still exists) or to duplicate the same plunder-and-profit model abroad, often in weaker economies or fragile states. While the neoliberal economic agenda was initially justified on grounds that it would enhance domestic economies by attracting foreign investment, what we find instead – especially among the ranks of India's billionaire oligarchs – is a disturbing *outflow* of investment.

During 2010-2011, Shashi Ruia of Essar invested \$1.2 billion abroad and \$200 million in India. Mukesh Ambani's domestic investments were \$2.7 billion and investments abroad were \$8 billion. Ratan Tata invested \$200 million in India and \$3 billion abroad. Anil Ambani invested \$400 million in India and \$3 billion abroad. Sunil Mittal invested \$2 billion in India and \$16 billion abroad⁴¹.

The disregard for national priorities – which can be attributed to the change in ideology from one dominated by the sense of community to that of individual welfare – seems to be a common characteristic of the wealthy family of global oligarchs increasingly removed from the reality of society. Through the LPG process, local economies are being destroyed as common people and their rights are increasingly rendered invisible. Cities are increasingly fragmented and the poor are being marginalized both symbolically and physically, failed by both the State and the market and pushed to the far borders of society. The super-rich, on the other hand, work towards the shared objective of amassing great wealth, creating gated islands of luxury beyond the reach of common people and feeding into their disengagement with the broader reality while, at the same time, ensuring that their wealth is on convenient display for others to admire and covet.

Mukesh Ambani's towering Mumbai residence, the 27-floor Antilla skyscraper-cum-mansion, symbolizes this dichotomy. Similarly, India's Special Economic Zones stand in defiant opposition to any sense of community obligation. They act as foreign entities, with the near-sovereign power to grab land and resources. Neither the oligarchs nor their quasi-legal SEZ fiefdoms, share any abiding concern for the displacement of local communities and the destruction of small, sustainable livelihoods. Under the banner of LPG, the oligarchs have only one abiding mission: to take full advantage of the huge incentives for profit accumulation that exist outside the realm of law and beyond the loyalties of citizenship.

NOTES

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CHINA

OLIGARCHY IN THE MAKING

DR. DALE WEN



China is evolving rapidly with its break-neck economic growth. Some people are getting rich at unbelievable speed; some interests are getting entrenched. The rapid polarization between the rich and poor is alarming. China's "Gini index", the measure of inequality commonly used, was below 30 in the 1980s, comparable to more egalitarian countries like Norway and Sweden; yet it has climbed to around 45 today, more similar to the U.S. or Latin America countries. While the rich today comes from all kinds of social and economic background, there are worrisome signs that social mobility may be decreasing. For example, when one looks at the student composition of elite universities, the percentage of youngsters from rural backgrounds has dropped rapidly after the urbanization rate is taken into consideration.

According to the newest Forbes China Rich List released in September 2011, the number of billionaires among China's richest 400 people increased to a record 146 from 128 a year earlier. The total wealth of the richest 400 people on the mainland is US\$459 billion, an increase of 8% from \$423.2 billion before, but only 4% in local currency terms. That is less than the 10% increase in China's GDP in 2010. The Forbes report

commented “slowing growth in China’s wealth is a warning sign for global luxury good suppliers.” This could be good sign for the average Chinese people, maybe not very significant, but still a positive sign.

It is hard to say “who is who” within China’s emerging oligarchy. For individual billionaires, they are not quite entrenched and stable as in some other countries, say, the U.S. For example, Huang Guangyu, the number one richest person in China in 2008 according the influential Hurun Report, was charged with bribery and insider trading soon after. He was sentenced to 14 years in prison and fined 800 million Yuan (1dollar~6.5 Yuan). His case was not alone. In August 2009, Hurun Report issued a special report with following statistics: among the 1,330 Chinese millionaires or billionaires which had made the Hurun Rich List between 1999 and 2008, 16 had been sentenced into prison, three were waiting for sentence at the time, 10 were under investigation, seven were missing or had escaped abroad with debt disputes or pending criminal investigation. Total 36 out of 1,330, or 2.7%, being rich is indeed a risky business.

While collusion of money and power is a usual and common feature of oligarchy, neither offers sure immunity from the law in China, at least for now. With the aforementioned Huang Guangyu case, five officials were sent into prison, with the highest ranking one a provincial level official (roughly equivalent to state heads level in the U.S.). These 5 were the ones publicly announced, while it is commonly assumed that probably dozens of officials were implicated in Huang’s case and ended up in prison. In 2010, 11 high-level officials (at least provincial or ministerial level) were sentenced into prison due to corruption and other charges, 4 with life imprisonment, 7 with death penalty with a suspension of execution (which would normally be converted to life imprisonment later).

With its rising income gap, theoretically progressive taxation should be one of the measures government can deploy to address this issue. So far this vehicle has not worked so well. Chinese government started to collect personal income tax in 1980. There are 9 tax brackets, with tax rates ranging between 5% and 45%. People with low income are exempted from personal income tax, with the threshold previously set at 2,000 Yuan per month, but raised to 3,500 Yuan since September 1, 2011. With lots of economic transactions still done in cash, there is massive under-reporting. An effective monitoring and taxation system is yet to be established. It is estimated that 84 million people paid personal income tax with the previous 2,000 Yuan threshold and only 24 million people will have to pay now with the new 3,500 Yuan threshold. A number for comparison is that automobile ownership has risen sharply in recently years, exceeding 70 million now. In a country where private automobile is not essential for most places, it is hard to believe that the majority of car owners actually earn less than 3,500 Yuan (~540 dollars) per month. Personal income tax accounts for less than 7% of total government tax revenues in all of the previous 5 years, another sign that so far it is not an effective tool for wealth redistribution.

Yet in recent years the government has taken some concrete steps to address the rising inequality, most notably on improvement of the rural situation. The income and welfare gap between urban and urban areas in China have been enlarging since mid 1980s. As measures to address the ever-pressing rural crisis, all agricultural taxes have been eliminated since 2006, as well as tuition fees for all rural students for the first 9 years of education. Funds have been allocated to provide free textbooks and scholarships to poor students who need more help. Investment for rural infrastructure has been increasing at 20-30% a year.

With all these measures, there are positive signs that the urban-rural gap has plateaued and is starting to decrease. Another very visible progress is in health care. The 2003 SARS outbreak exposed many problems of

the health care system. It was estimated that about 80% of the rural population did not have any form of health insurance at the time. This sounded the alarm and sent the government into action. In July 2005, the Development Research Center of the State Council released an official document admitting that the market-oriented health care reform had not been a success. After that, a New Rural Cooperative Medical Insurance System was established as well as a Basic Medical Insurance System for Urban Residents. Now it is estimated that 1.27 billion people or 95% of the population have health insurance. While the new system needs more time and practice for fine-tuning and improvement, the positive sea change comparing to the situation mere 5 or 6 years ago is undeniable.

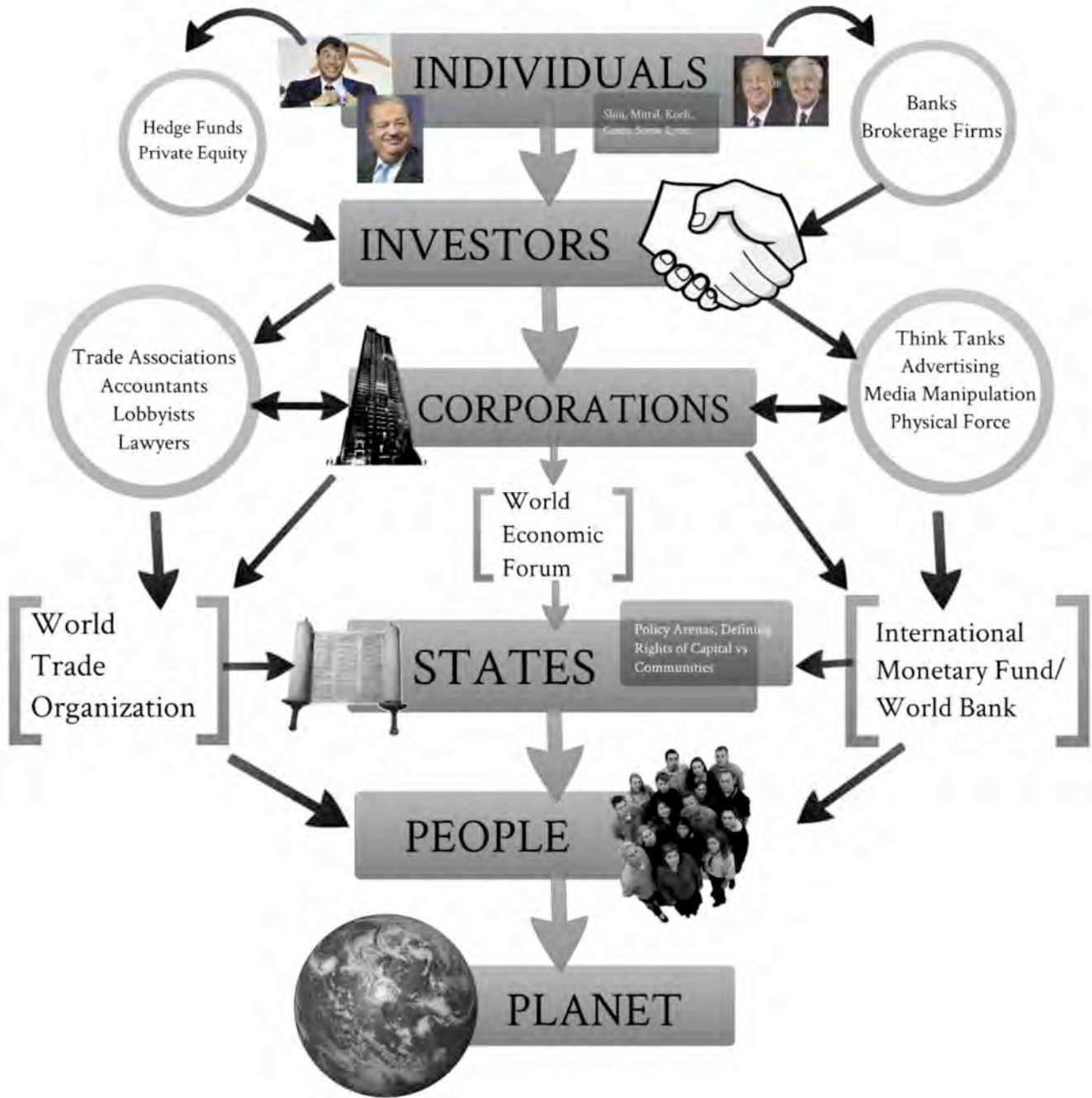
Needless to say, all these social programs need significant amount of resources to run. So it begs the obvious question: where does the money come from? Taxing multi-national corporations have proven to be difficult for all governments, including the Chinese government as well. As mentioned before, personal income tax makes up less than 7% of total tax revenues. The answer partly lies with the special role played by China's SOEs (State Owned Enterprises).

Before the reform era, with the socialist planning economy, all of China's enterprises were state owned. With the market-oriented reform starting in the mid 1980s, most of the small or medium-sized enterprises have been privatized; the remaining big ones also went through reforms and re-organizations, with almost all of them becoming publicly traded companies, but the state still holds the majority share (at least 51%). It is estimated that currently SOEs accounts for about 27%-30% of China's GDP, but they pay a disproportionate higher percentage of the corporate taxes.

For year 2009, the raw tax rate (tax collected versus profit) was 8.8% for SOEs controlled by the central government--these are normally the big ones like SINOPEC, 3.1% for SOEs controlled by local governments--these are normally smaller, and 3.1% for non SOEs (including privately-owned enterprises, joint-stock enterprises, foreign invested enterprises, etc.) When one calculates tax versus revenue, the rate was 3.2% for SOEs controlled by the central government, much higher than 1.9% for both SOEs controlled by local governments and non SOEs. For year 2009, SOEs paid 122,000 Yuan total tax per employee, while non SOEs only paid less than half of that, 56,000 Yuan per employee. Unlike some U.S.-based global corporations like GE and Google, which paid zero tax in recent years, China's SOEs are shouldering a disproportionately larger part of corporate social responsibility, even though many of them are only starting to learn buzz word like "corporate social responsibility" from foreign corporations by paying the lion share of corporate taxes which underwrite government social programs,

To date, 61 of the Fortune 500 firms in the world are Chinese (up from just 12 in 2001), all but two of them state owned. Yet when one looks at Hurun China Rich List or Forbes China Rich List, there is no one from the top management of SOEs. It is another sign that the gains and profits from SOEs are more equally distributed to the employees and the population in general. Corruption scandals involving SOE officials do break out now and then. But all in all, the top management of SOEs are not getting filthily rich, unlike many of their counterparts in non SOE.

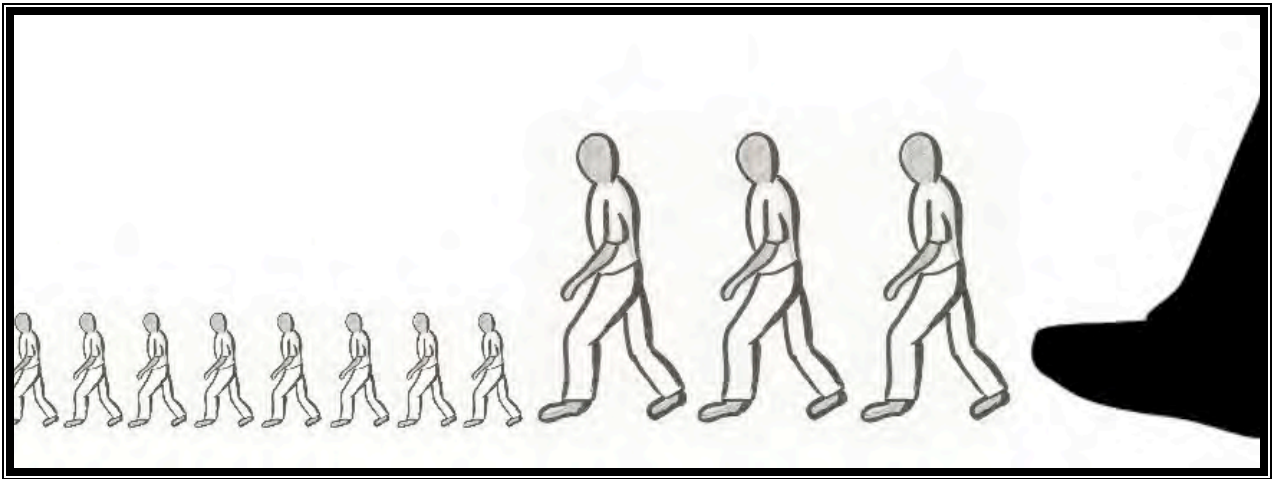
POWER PLAYERS IN TODAY'S GLOBAL ECONOMIC SYSTEM



Globalization has concentrated financial wealth and political power in the hands of increasingly fewer individuals at the top, who in turn exert undue influence over policy-making processes that are meant to protect people and the planet.

WEALTH, POWER AND THE FUTURE OF THE PLANET: FOUR ARGUMENTS AGAINST THE EXTREME CONCENTRATION OF WEALTH

JACK SANTA BARBARA, PH. D



SUMMARY

Contrary to popular beliefs, extremes in wealth are bad for society, the economy, and the planet.

Concentration of wealth is unjust and confers undue advantage to those with the most wealth, who then use this wealth primarily to usurp the democratic process and further enrich themselves at the expense of the majority, and the ecosystems that support all life.

There is no moral or economic justification for extremes in wealth.

Wealth accumulation is often accomplished by illegal means, but it can also derive from the unjust (but legal) pressure that the wealthy use to influence lawmakers to legislate in their favor. The accumulation of extreme wealth¹ is the result of laws that inappropriately reward the marginal contributions of individual innovation but ignore the vastly larger contributions that flow from the heritage of common knowledge. This extreme wealth, which has gone into private hands, truly belongs in the public purse. The very wealthy “didn’t earn it and don’t deserve it.”

Reducing the extremes in wealth is therefore a major goal for progressives of all kinds.

HOW MUCH IS A BILLION DOLLARS?

As of 2011, there were well over one thousand billionaires on the planet. Consider for a moment what \$1 billion represents. If you were to count out one dollar a second on a 24/7 basis, it would take you about 12 days to reach one *million* dollars. But you would not reach one *billion* dollars until almost 32 years after you began this boring process!²

At a mere 2% rate of interest, this sum would provide you an annual income of \$20 million dollars. Simply with this interest income, you would have to spend some \$55,000 a day, every day of the year, to clear out your account to make room for the next \$20 million to come in the next year.

The person identified by the 2011 Forbes list of billionaires³ as the world's wealthiest person is Carlos Slim Helú of Mexico, with some \$74 billion in assets. At a ridiculously low 2% interest rate, Mr Slim would have the arduous task of spending more than \$4 million *each and every day of the year* to make room for the next year's interest income. But he may well own the bank, so it should be quite easy for him to not only hold on to this modest income, but to actually make considerably more money with it. This is exactly what he did in 2010, having amassed some \$ 22 billion dollars in that year alone.

While the thousands of people who own billions of dollars—or even hundreds of millions of dollars—become ever richer, at least a quarter of the world's population lives below the official (and totally artificial) “poverty line” of less than \$2 a day. In 2005, the World Bank defined the poverty line as \$1.25-per-day in terms of purchasing power parity.⁴ However, if poverty were to be defined in terms of meeting basic needs and providing a minimum of creature comforts, the proportion of people living in poverty would be considerably higher.

To provide a stark visualization of the unequal distribution of the world's income, picture a parade in which all 30 million Canadians are invited to march. The year is 2007 and the height of the marchers is determined by their income. The entire parade takes one hour. The parade starts with the lowest income marchers and ends with the wealthiest. In the first few minutes, the first marchers are only about a foot tall—those earning only a few thousand dollars a year. The height of the marchers slowly rises until, at about 15 minutes into the hour, the marchers are about 3 feet tall. The parade continues for about 40 minutes before we start to see people of normal height (that is, after more than 66% of the population has marched by). In the last 10 minutes, marchers of about 7 or 8 feet in height appear. In the last 6 minutes, we behold a contingent of marchers more than 14 feet tall.

But the last minute of this hour-long parade is what is eye-popping. With only 25 seconds left in the parade, marchers towering 30 feet high appear. In the last few *seconds*, the real giants march past, some thousands of feet tall. The final marcher in the parade towers over 8,000 feet tall—more than a mile high!

The Canadian parade, however, is small stuff compared to a similar parade for the United States population. For most of the parade, the heights of marchers are pretty similar. But in the last fraction of a second we would need binoculars to see the faces of the marchers, some *three miles high*, with the last marcher topping out at the level of a high-flying aircraft, some 110 *miles* above the surface of the planet.

Note that the above examples reflect annual income, not accumulated wealth, which would demonstrate an even more dramatic distribution of wealth.

The current extreme distribution of wealth is unprecedented in human history. At the very top end of wealth distribution there are some 9.5 million people (a mere 0.14 % of the global population) who own about 25% of the total financial wealth on the planet.⁵ If we look at the wealthiest 10% of the global population, they own a staggeringly disproportionate 85% of global wealth.⁶ At the other extreme, there are some 2.5 billion people who live on less than \$2.50 a day.⁷ The entire bottom half of humanity owns only about 1% of global wealth.⁸ Note that this terribly skewed distribution of wealth leaves very little for the “middle class,” upon whom the lion’s share of tax burden generally falls.

Money or financial wealth represents a claim on resources. According to the above figures, this means that some 10% of the world’s population currently has a legal claim to 85% of the planet’s total resources, leaving 90% of the world’s population with access to a mere 15% of global resources. The absurdity of this situation is self-evident and a critical indicator that the current global economy is not functioning for the benefit of the majority, but for a select few.

THE MYTHOLOGY OF WEALTH ACCUMULATION

Is this concentration of wealth a good thing or bad thing for society as a whole? This is a question that rarely receives any serious attention. In fact, to even ask this question is to be accused of engaging in “the politics of envy.” Our global culture is now predisposed to regard the accumulation of wealth as a good thing. The arguments are made that those who earn vast fortunes deserve them because of their hard work, cleverness, creativity and by outperforming other worthy competitors. This is the *fairness argument*. It is further argued that these smart folks are the ones who know best what to do with all this wealth—by creating jobs and contributing to economic growth. This is the *economic or public good argument*. A related argument is the *motivational* one—great financial rewards are essential to motivate people to strive for big achievements. It is also argued that by engaging in philanthropy to help those in need, the wealthy make a significant contribution to society. This is the *redistribution argument*. With all these supporting arguments, how could anyone think wealth accumulation is a bad thing?

Let us count the ways.

MYTH # 1: *The Fairness Argument*: “They Earned It Therefore They Deserve It”

First of all, they may not have earned it, they may have inherited it. The easiest way of acquiring a large fortune is to be born into a wealthy family that has been accumulating wealth for a long time, preferably centuries. The Rothschilds⁹ would be a good example but there are many others. Examples of inherited wealth on a shorter time scale would include families like the Rockefellers and the Morgans; there are many more.¹⁰ This unearned, inherited wealth grants enormous privileges and benefits that allow these inheritors to amass even larger fortunes and, if they so choose, to reshape society, the economy and even the political landscape. Estate or inheritance taxes have largely been eliminated in many countries. And where estate taxes do exist, the threshold for applying them is often quite high (a few million dollars), so these taxes would apply

to very few situations. And with careful—and entirely legal—estate planning, these taxes can be avoided altogether.

But with a globalized economy and the evolution of the modern corporation, it is now possible to amass significant fortunes in a relatively short period of time—especially if you have a combination of luck and talent, can be ruthless in your pursuit of wealth, and are willing to engage in illegal activities to achieve your goal. And of course, it doesn't hurt if you have been born into the right family in the right country in the right economic environment—one that is “open for business.”

Secondly, very large fortunes are not infrequently obtained by illegal means, even by “respectable” people.¹¹ For example, Joe Kennedy, the father of JFK and RFK, made much of his fortune bootlegging liquor during Prohibition. This phenomenon is, of course, not restricted to the U.S.¹²

Thirdly, even when large fortunes are made by perfectly legal means, there are almost always other factors in play—factors involving luck, good connections, the ability to influence laws that have a bearing on one's fortune, and sheer ruthlessness. Talent, creativity and hard work may indeed be involved, but it is rare that these factors alone determine who amasses great wealth.

Bill Gates could be used as an example here.¹³ His access to a computer at a private school (long before this was common), his access to publicly funded advanced computer systems, a parent's connection to IBM, and his willingness to ignore the superior talent of someone who was a friend (and had actually done the major development work long before Gates became involved), indicates how factors other than talent and hard work can determine who becomes super wealthy. There is even an argument to be made that Gates actually retarded the development of personal computers; that his involvement led to a more commercially oriented system; and that a superior alternative would have produced greater social benefits.

Are we rewarding genius or stealing from the common treasury? The history of invention and innovation is filled with examples of multiple individuals or organizations coming up with very similar ideas almost at the same time. There are also many cases where the original inventors lost out on financial rewards for their inventions to someone with a bit more business savvy or who was more ruthless in their pursuit of personal gain. Talent and hard work are not always rewarded.

This is not to say that Bill Gates did not work hard and made some contribution to a social good—i.e., by making personal computers readily available to large numbers of people. But Gates' history does call into question the concept of a “uniquely talented” innovator and suggests his fans may have seriously overlooked the role of common intellectual property in making any invention worthwhile.

Bill Gates did not invent the personal computer, nor did he make a significant contribution to software for operating systems. He did make a contribution, but it was marginal compared to the vast store of common knowledge that preceded his involvement. The history of the technology for the computer goes back, at least, to 17th century weaving in France, where a system of punched cards was used to significantly increase weaving efficiency. This was later improved somewhat by Herman Hollerith¹⁴ who modified the basic idea for use in providing inputs to computers. There were literally hundreds, if not thousands, of small steps that have brought personal computers to the point where they are today.

The critical point here is that humanity has a vast store of knowledge that is in the public domain—an intellectual commons—that is a shared heritage. To significantly reward only the marginal improvement any one person or team makes to a technological invention or innovation totally ignores this common heritage and the critical role it plays in the production of any good or service.

Given that the benefits of any marginal improvements are totally dependent on this vast common heritage it would seem fair to acknowledge this role and ensure that a significant portion of any financial benefits are returned to the community for general use, rather than to the party that makes the marginal improvement. The latter, of course, should be rewarded, but only marginally. That is all they deserve: the lion's share of the rewards they now receive should instead go back to the broader community. The laws and regulations that currently allow this to happen can be considered a type of theft from the common purse. These laws and regulations were, of course, devised by the wealthy for their own benefit.

This is true even for highly specialized areas of knowledge, most of which were developed at public expense. Since the public originally paid for them, it is fair that the lion's share of any benefits go to the public purse. Even when research is privately funded, it still relies on a vast store of common knowledge that is part of the human heritage and should be acknowledged as such—and rewarded appropriately. This storehouse of common knowledge is one of the reasons that innovations in any particular field often occur at roughly the same time, in a variety of locations, and are announced by individuals or teams working entirely independently.

It is easy to forget this history and focus on whatever innovation is at hand. The media ignore this common heritage and elevate the inventors or business entrepreneurs to the status of “genius” as though their success was the result of their sole efforts. A moment's reflection indicates that this is never the case; but the myths persist and are used to justify the enormous financial rewards that accrue to these individuals. The means by which laws and regulations are manipulated by the wealthy to ensure this outcome are generally ignored.

Another perspective on this “great men (usually) deserve great rewards” rationalization has to do with the public resources these individuals exploit to acquire their fortunes. We tend to take for granted the vast store of physical, social, and regulatory infrastructure that has been funded by taxes over the decades. Education, healthcare, roads, public transportation, radio and television, property and tax laws, and law enforcement, to mention just a few, are examples of shared infrastructures that have evolved at public expense but are disproportionately used by those with means to further increase their wealth.

When an entrepreneur hires an engineer or accountant or lawyer, he or she is unlikely to give much thought to the educational and health systems that supported the development of these highly skilled professionals. Nor is the average entrepreneur likely to give much thought to the transportation infrastructure that allowed these professionals to come to work, or to the electric power system that allows them to operate their companies. We are all much more likely to complain about any unfair harm done to us rather than to express gratitude for any unfair benefits we might have received.

Of course, these services are at least partially covered by taxes—as it is the purpose of taxes to pay for common services—or by direct payments for these services. Regarding the latter, we know that many general services such as power generation are highly subsidized by governments and that the fees or payments made

by individuals and corporations almost never cover their externalized social and environmental costs— industrial pollution and climate change being a major example.

Indeed, the very market in which these fortunes are made are themselves social creations. Markets are regulated to protect the parties involved in any transaction, albeit one party may receive considerably more protection than another. Governments not only make the laws that govern market behaviour, but they also enforce those laws. Clearly, such laws provide more benefit to those with more property to protect. This reality is generally overlooked in considering the broader public benefits of the market.

The disproportionate benefits from public resources—such as the entire market system, which is maintained at public expense and now primarily benefits innovators and entrepreneurs — is not a bonus they deserve. Compared to the enormous treasury of common-heritage resources upon which their innovations are based, their contributions are marginal. Therefore they do not deserve the enormous fortunes they accrue, but only marginal rewards for their commensurate contributions.

Why is it that this equation of what rewards go to which parties is so out of balance? The answer to this important question is quite simple: vested interests unduly influence legislators to favour the entrepreneur and private interests over the public interests.

Among the public service factors that entrepreneurs do pay attention to is the regulatory framework that determines how an entrepreneur can operate his or her business and the tax laws that determine how much of a company's profits can be retained. Most developed nations have a vast array of laws defining and protecting private property, including intellectual property. This allows wealth seekers to invoke the protection of the law and court systems to ensure these rights and privileges. Without these laws and regulations, any efforts made to operate a business would leave that business vulnerable to ruthless competitors and outright theft. The results would be chaotic for both businesses and people wanting various goods and services.

The stability and operating norms provided by the regulatory framework make it possible to start up and operate a business with the assurances that some of the benefits of ownership will, in fact, accrue to the owner. These regulatory frameworks are therefore essential public goods, which have been developed and are maintained and paid for from general tax revenues.

But public goods can be lopsided and favour some parties more than others. The “golden rule” often applies (i.e., “Those with the gold make the rules”). When corporate insiders are recruited to senior government positions to manage government departments, it should be no surprise that those government departments are managed with corporate interests in mind. (A recent case in point: The team of Wall Street insiders who were invited to take over financial planning for the Treasury Department under the Obama Administration.)

So it is no wonder that the regulatory system, while supposedly supplying overall stability to protect all parties, unduly favours the wealthy, who are able to use their wealth to direct the regulations (or lack thereof) to their own benefit.

These regulatory frameworks are, of course, designed and modified from time to time by the elected officials who are formally responsible for such changes. It is well documented that regulatory frameworks change with

different administrations, and through the direct or indirect intervention of self-interested parties. In addition, there is the well-documented process of financial resources being used legally or illegally by wealthy individuals to influence elections and legislation in their own self-interest.¹⁵

The Koch brothers' funding of Tea Party activists, union busting, and climate deniers is one current example.¹⁶ These billionaire owners of privately held Koch Industries are also accused of attempting to influence the United States Supreme Court with respect to the opportunities for corporations to fund political candidates with unlimited amounts of campaign cash.¹⁷ The activities of the Koch brothers illustrates how wealthy parties attempt to influence the establishment of laws that favour their narrow self interests—interests that are hardly benign and that, all-too-often, have destructive global ecological and social impacts.

It is not uncommon for legislators, once they step down from public office, to be hired by the very industries they were formally responsible for regulating. The simple awareness of such opportunities (always accompanied by very lucrative salaries) can be enough to steer legislators in the direction of the particular desires of the industry in question. This so-called “revolving door” phenomenon also works in reverse—senior executives from large corporations are recruited by governments to play key roles in government departments that either manage or regulate the industry from which the executive is recruited. Such executives are well aware they are very likely to return to the corporate sector after spending time as a “public servant.”¹⁸

But is the public genuinely served by this process? Promoting the success of a corporation or industrial sector is quite a different task from regulating it and ensuring that it is operating safely and fairly. The tasks are not only different but often oppositional. Requiring policies designed to protect workers, society and nature can create expenses corporations would rather not absorb while freeing corporations from health, safety and environmental concerns generally provides greater profit. With the revolving-door phenomena so prevalent in government agencies, the role of promoting corporate interests can easily take precedence over the goal of pursuing protective regulations.

Corporations and various interest groups spend billions of dollars annually to lobby legislators at various levels of government. The role of the wealthy in distorting democracy is not a new phenomenon but it remains invisible to most, even though it has become a major factor in the development of vast fortunes. Indeed, over 2,000 years ago, Aristotle noted “*where the possession of political power is due to the possession of economic power or wealth... that is oligarchy, and when the unpropertied class has power, that is democracy.*”

A few centuries later, Plutarch lamented that “*an imbalance between rich and poor is the oldest and most fatal ailment of all republics.*” In more recent times, U.S. Supreme Court Justice Louis Brandeis stated: “*We can have democracy in this country, or we can have great wealth concentrated in the hands of a few, but we can't have both.*”

Despite this long history of warnings, the extremes of global wealth have corrupted governments around the world. Justice Brandeis's observation is now true not only of the United States but also of the entire planet, as the number of billionaires continues to grow in the U.S., Russia, China, India, Mexico, Egypt, Indonesia, the Philippines and elsewhere.

And as fortunes become larger and larger for a small number of people, these individuals are able to exert even greater influence over legislators. Sometime these wealthy individuals are quite open about their political

activities. Sometimes they prefer to operate behind the scenes by funding lobby groups such as the U.S. Chamber of Commerce,¹⁹ or engaging with intermediaries who make personal contact with key legislators.²⁰ Indeed, formal lists of the wealthy (such as the list published annually by *Forbes* magazine) are believed by scholars to capture only some of the world's wealthiest people.²¹

A bit of historical perspective makes it clear that the tension between the undue influence of the wealthy and genuine democratic processes waxes and wanes over time. Such extreme distributions of wealth as now exist do not always occur in history. There are many historical periods when wealth was more evenly divided among the population, and indeed, there are nations that today have much more even distributions of wealth than the global picture presented above.

In the 1920's, U.S. banking law forbade banks from trading in stocks and bonds, as these were considered too risky. To get around this legislation, many banks established "bank securities affiliates," which allowed them to do at arm's length what was otherwise forbidden by law. However, President Taft began considering a plan to shut down these affiliates, forcing the banks to comply with the spirit of the law. Learning of this possibility, the powerful Rockefeller and Morgan banks sent their representatives to meet secretly with Taft and convince him to drop any plans to curtail these bank affiliates. They not only succeeded, but President Taft soon began reversing the existing protective banking legislation that was put in place as early as 1864 to keep banks out of these risky areas. This change resulted in the bubble of speculation that sowed the seeds of the Wall Street crash of 1929.

In the years leading up to the Great Depression, there was a significant increase in inequality, largely as a result of large fortunes being made by speculation in land and on the stock market. As a response to this economic crash, the U.S. and many other nations enacted laws that put a curb on the speculation that led to the pre-crash spike in inequality. Indeed, the inequality itself is viewed as a major cause of the economic meltdown of the late '20s and early '30s. Extreme wealth creates a concentration of excess capital that needs to find a use—this leads to speculation and higher-risk investments that create bubbles that ultimately collapse. Such risky behaviour is greatly reduced when there is not so much excess capital in the system—and what *is* available is being put to good use meeting real broadly based community needs.

The decades that followed the Great Depression benefited from a new regulatory framework imposed by President Franklin Delano Roosevelt that saw very high taxation of income (up to 90% at the highest rates). These were decades of high productivity and a thriving middle class. This greater equality meant that more people had money to spend on real goods and companies were willing to invest to meet consumer needs. With greater equality, all parties benefit, and the benefits are widely distributed.

But these benefits were short-lived. In the 1970s, Reaganomics and Thatcherism began to undo many of the regulatory reforms enacted during the Roosevelt Era. This era of deregulation, especially of the financial industry, eventually led to another spike in inequality, which led to the financial meltdown of 2008. Some major "pro-business reforms" allowed investment bankers, who previously were only allowed to risk their own money (making them cautious) to risk other people's money (making them considerably less cautious). The Regan era deregulation, which allowed savings and investment services to operate within a single corporate entity, now made funds available to the investment sector to speculate on riskier projects.

History has repeated itself—but only up to a point. Unfortunately, today’s political system seems to have little stomach for another round of genuine reforms that will reduce inequality. Indeed, recent government actions²² have rewarded the wealthy speculators who have increased their already enormous fortunes at the expense of millions of middle income and poor people around the world. As a consequence of the 2008 financial meltdown, tens of millions of people have lost their jobs or homes, or both. At the same time, we are witnessing crop failures caused by unusual weather events (driven by climate change), which in turn have led to record high levels of prices for basic foods. Hundreds of millions of people are affected as basic food staples take up an increasing percentage of the meagre incomes of those at the bottom of the wealth pyramid.

There is clearly something wrong with this extreme distribution of wealth that exists in the world today. Those at the very top of the wealth pyramid collectively own most of the planet’s wealth. Yet a fraction of that collective wealth would be more than enough to eradicate hunger and poverty for the majority of people, while, at the same time, financing solutions to a host of pressing global problems, from removing toxins from our water, air and soil, to increasing simple literacy for the hundreds of millions of people who cannot read or write.

In summary, the evidence shows that the wealthy generally have not earned the extreme riches they have accrued. To the contrary, these lopsided benefits are the result of a distorted system of taxation and regulation that ignores the value of public knowledge (our common human heritage) and provides publicly funded programs that disproportionately benefit the wealthy. They didn’t earn it and don’t deserve it.

MYTH # 2: *The Economic or Public Good Argument: “The Wealthy Create Jobs and Stimulate the Economy; What’s Good for General Motors Is Good for America”*

Part of the official rationale for Washington’s recent enormous bailouts of the finance sector and other key businesses was the “public good” argument that equates the very wealthy with economic progress and the public good – i.e., the idea that great wealth is good for the economy and good for society because “creating wealth means creating jobs.”

The actual evidence regarding the supposed connection between wealth creation and job growth shows that the opposite is true—extremes in wealth are bad for both social stability and the economy.

Inequality Is Bad for Society

There is overwhelming evidence that great inequality gives rise to a variety of health and social ailments.²³ A major conclusion of the extensive research by Wilkinson and Pickett is that “*what matters in determining mortality and health in a society is less the overall wealth of that society and more how evenly that wealth is distributed. The more equally wealth is distributed, the better the health of that society.*”²⁴ The list of health and social indices that show a positive relationship with greater equality include:

- life expectancy
- infant mortality
- obesity
- child wellbeing

- amount of mental illness
- use of illegal drugs
- teenage pregnancy rates
- homicide
- fighting and bullying among children
- imprisonment rates
- levels of mutual trust between citizens
- math and literacy attainment
- social mobility (children rising in social scale compared with their parents)
- the status of women
- inventiveness and innovation
- waste recycling
- spending on foreign aid.

One of the interesting findings from this exhaustive study is that, while the benefits of greater equality are largest for the poor, “*greater equality brings substantial gains even in the top occupational class and among the richest or best-educated quarter or third of the population.*” These relationships exist both between nations as well as within nations, regardless of the absolute level of wealth. It is the extremes in inequality that are the problem (given that the lowest incomes provide a basic livelihood)—and the greater the extremes, the worse the problems in the areas listed above.

This means that being a billionaire in a world with a few billionaires and the majority impoverished is not benign. Being ultra-rich is bad for society from the perspective of the many social and health issues affected by gross inequality.

The myth that economic expansion creates jobs is not supported by the evidence that greater inequality is associated with considerably longer working hours. Workers in highly unequal societies work an extra 2-3 *months a year* compared to workers in more equal societies. More egalitarian societies also experience more savings and fewer bankruptcies.²⁵ One of the ways corporations increase profits is to reduce employment and automate as much as possible. Jobs that are created are often minimum wage and part time positions that help the company avoid having to provide healthcare and other benefits.

Another social consequence of extreme inequality is isolation and separation of segments of society with the wealthy relaxing in their gated communities and the poor suffering in their slums. The separation and envy these extremes can provoke inevitably leads to a decline in trust amongst people. Many of the other social and health consequences of inequality can be linked to this decline in trust within unequal societies. Highly unequal societies invariably have low levels of trust. Trust requires more egalitarian distribution of social and economic benefits.

This myth that the wealthy contribute to society in general is based on another even deeper and more pervasive myth—the idea that economic growth is invariably a good thing. This is an assumption that underlies just about every political persuasion, whether oriented toward capitalism or socialism.

But the evidence for this assumption only holds for very low levels of income. At very low levels of income, people need economic activity to provide employment and basic goods and services to meet their essential

needs. But the evidence is overwhelming that, once this basic level of income is obtained, there are diminishing returns from the continued accumulation of wealth—both in terms of declared levels of happiness and across a variety of objective measures. Once basic needs are met (which can be achieved at a relatively low levels of per-capita energy use [which reflects income levels]), there is little to be gained in terms of objective measures of access to nutritious foods and educational opportunities, infant mortality and maternal health (always a good index of a population’s general health).²⁶

We do not need continued economic growth and ever-higher incomes to be happy or comfortable. Increased wealth, driven by economic growth, serves a very different purpose once basic needs are achieved—at this point, its only purpose is to display an individual’s status and to acquire power over others.

The conspicuous or status-driven consumption of the very wealthy creates a situation where everyone else’s satisfaction is reduced—because, by comparison, their level of consumption is less and of inferior quality. Layard²⁷ describes this dissatisfaction as a “tax” the wealthy impose on the rest of society. Layard, an economist at the London School of Economics, actually calculated that a 60% tax rate on the consumption of the wealthy would be required to cover the cost of this dissatisfaction.

A related consequence of gross inequality is the kind of competitive consumption that it stimulates. In a society where material goods are taken as signs of success, talent and virtue, having a few more conspicuous goods than one’s peers or neighbors is a way of feeling good about oneself, and clearly demonstrating one’s status. But with advertisers pushing ever “new and improved” products, it is never long before one may be upstaged by one’s peers—stimulating yet another round of status consumption.

The consumption patterns of the wealthy set a very high standard to emulate. The consumption of the truly hyper wealthy includes having their own personal jet aircraft—ranging up to \$320 million for an Airbus 380.²⁸ Of course, that is only for the basic plane—millions more are spent on opulent interiors. The so-called “yacht wars” among the super wealthy was set off in 1997 by Leslie Wexler of Limited Brands with the purchase of a 316-foot vessel—some 110 feet longer than anything in its category. At least \$300 million is needed to play this game, and some billionaires, such as Russia’s Roman Abramovich, own *three* super yachts. One of the latest super-yachts, owned by Microsoft co-founder Paul Allen, extends 413-feet in length and boasts a basketball court, a heliport, a movie theatre and a submarine in the hold.²⁹

These levels of consumption are generally adulated by the media, which holds them up as the rewards of hard work and exceptional skill and cleverness. The subtle messages conveyed are that the benefits of economic growth and wealth accumulation are well-rewarded, so don’t tamper with this incredible system of wealth accumulation—just get your shoulder to the wheel if you wish to participate and demonstrate your own true worth.

Such ostentatious indulgence by the hyper wealthy has serious consequences for the rest of society because they set examples that many wish to follow. There are innumerable rungs on this status ladder and, no matter where one stands, there is always an opportunity to purchase something to raise oneself a rung or two—if you can afford it, or borrow to pay for it.

Such status-driven consumption, which is well beyond the level of both necessity and comfortable sufficiency, has significant environmental consequences. The more material goods that are produced, used up,

and eventually disposed of, the greater the negative impact on the environment. Global ecosystems are in terrible shape and the causes are directly attributable to the expansion of the economy.³⁰ Many natural—and even what should be renewable resources—are now being depleted by the drive for continued economic growth.³¹ The majority of natural resources consumed and disposed each year are used up by a relatively small percentage of the global population. As always, the consumption of the hyper wealthy is disproportionately large. And what they don't consume directly, they inspire others to consume by their example and continual ratcheting up of the stakes of what constitutes the good life.

Gross inequity degrades the environment in a variety of ways. The wealthy continually increase the amount of material goods they consume as status symbols because that is what the wealthy do. At the other end of the wealth continuum, the poorest degrade the environment simply to stay alive, denuding forests, for example, to provide fuel for cooking. A further irony is that the poor are also the most likely victims of ecological degradation.³²

So-called “externalized” costs—whether social or environmental—are costs to a transaction not borne by the actual parties to the transaction. That is, the costs are displaced onto some third party. These costs can be local (in the case of an industry polluting local air or water) or global (in the case of greenhouse gas emissions contributing to global climate chaos). These costs have been estimated to be so great as to make further economic growth “uneconomic” in the sense that the costs outweigh the benefits—with the costs largely borne by innocent third parties.³³

The more unnecessary and uneconomic growth and accumulation of extreme wealth, the greater these externalized costs. They involve destroying cultures and livelihoods by moving millions of people to build dams for hydropower; they involve the enduring legacy of a Bhopal or Chernobyl or BP Deepwater Horizon disaster; they involve the killing and forced displacement of indigenous peoples to provide access to mining and timber resources; they involve the death and disability of workers from agricultural pesticides; they involve the nitrification of large tracts of ocean from agricultural runoff, creating “dead zones” for all living sea creatures; they involve putting the price of basic foods out of reach of the very poor because what should be food stocks are now used for transportation fuels; and so on. There is an almost endless list of destruction of human and other living creatures that is directly attributable to this quest for more wealth, power and status. Indeed, this destruction is now threatening the global survival of humans (through human-induced climate change) as well as many other species, leading to what scientists are calling the planet's Sixth Great Extinction.

So rather than being a positive influence for society in general, the accumulation of extreme wealth (significantly beyond what is needed for a comfortable life) and the economic growth paradigm that supports such accumulation, are now destroying the very ecological foundations of society — and the diversity of life itself. All of the major causes of the sixth largest mass extinction in the history of our planet are directly traceable to one or another facet of economic growth.³⁴ The evidence is now clear that economic growth, which enriches the already wealthy, and the accumulation of ever more riches, does not produce greater happiness³⁵ or improve the quality of life when objective measures are considered. Economic growth and wealth accumulation are not social benefits that are to be applauded.

The idea that economic growth and wealth accumulation are good for society is a myth. And as with so many myths, the exact opposite is true. We now have a global system where wealth is increasingly concentrated in

the hands of the few at the expense of the many. This economic system is destroying the ecological life support systems that are the foundations of all genuine wealth. Yet our media and dominant social values continue to applaud and support a most dangerous myth about the social benefits of wealth accumulation and an expanding economy. Focusing on growth is a smoke screen used to obscure the necessity of undertaking a more just distribution of finite resources.

Inequality Is Bad for Democracy

Power corrupts, and the wealthy have considerable power at their disposal. The excess wealth of the top earners can easily be used to corrupt the democratic process, thereby allowing the wealthy to control the very legislation that allows them to actually increase their wealth. The wealthy are able to retain and enhance their position, at the expense of the majority; and they are quite accomplished at this.

This notion that the wealthy exert undue influence in the political arena runs counter to the myth that the developed democratic societies are pluralistic. Pluralism is the notion that the broad interests of the public are protected because politicians must rely on the public's votes. It assumes that all groups have equal access to government and influence, and that no one group dominates. Not only is this notion of pluralism naive, it is also wrong.

Acknowledging that pluralism once worked in America, political scientists³⁶ researching these issues demonstrated that the notion of pluralism in the USA is now seriously in error. They point out that disparities of income and wealth confer extraordinary advantages and disadvantages that extend to political influence. They note that *“more money, energy and organizational strength is [sic] thrown into obstructing equality than achieving it”* and that *“to democratize the American polyarchy further will require a redistribution of wealth and income.”* In a 2001 statement, the American Political Science Association stated: *“citizens with a lower or moderate income speak with a whisper... while the advantaged roar with a clarity and consistency that policy makers readily hear and routinely follow.”* The problem is a *“growing concentration of the country's wealth and income in the hands of the few.”*

Being wealthy means having considerable disposable income, income not required for well being, or even for a comfortable life. Using this disposable income to influence the political process to one's own advantage is what the very rich have become very good at. They use their wealth directly and indirectly, and are able to intervene on a broad scale. They not only fund various political campaigns (often backing opposing candidates to ensure influence) but also assist with the financing and organizing of political campaigns. They contribute to drafting party platforms; they support special interest groups and set up think tanks to push their narrow self-interested agendas; they often are involved in the drafting and amending of important legislation. In addition, they control the media, which either ensures secrecy for their activities or ensures those activities are presented in a positive light to the general public. Their sway on public opinion greatly exceeds that of the majority.

This disproportionate impact on government policies often occurs in the face of significant opposition from the majority. A good example is climate change policy. Surveys indicate that the majority of U.S. citizens support policies that would mitigate climate change. But well-funded and organized special interest groups have supported climate deniers and influenced lawmakers to favor narrow economic interests over not only the wishes of the majority, but also over the potential survival of much of life on the planet. Being a billionaire with such interests is hardly benign.

An unacknowledged consequence of this phenomenon is that ordinary caring citizens feel disempowered and unable to influence governments in matters that directly influence their own well-being and possible survival. This sense of disempowerment and alienation—from both the very wealthy and elected officials—is one of the most serious consequences of gross inequity. It also is likely a significant factor leading to the many and various health and social problems so strongly linked with inequity.³⁷

Many citizens in the U.S. feel that there is too much inequality and that it is not a good thing for society,³⁸ but they are ignored by the politicians who cater to the wealthy. One of the ironies of inequity is that the poor do least well when inequity is greatest. When great fortunes are being made is the time when the wealthy are most inclined to use their excess wealth to influence governments—pushing changes to increase their wealth at the expense of the poor, rather than seeking to redress the inequity of poverty and other social ills. The wealthy can be quite aggressive in pushing their wealth-accumulation “reforms”—and then manipulating public opinion to support those reforms. Government policies regarding inflation and tax laws are favorite targets for the wealthy. The hyper wealthy have mastered the art of perpetuating themselves.

Lakshmi Mittal, CEO of the Arcelor Mittal steel group is one of the world’s top billionaires. With reported wealth of some \$31 billion,³⁹ he is said to be the wealthiest person in India. His steel group is incorporated in Holland and his family holdings are based in Luxembourg, the Canary Islands, and the Virgin Islands. He lives in London. A Mittal spokesperson indicates: “Nothing unusual in that. The structure responds to fiscal optimization concerns. The Arcelor Group also uses tax havens. It even has subsidiaries incorporated in the Cayman Islands.”⁴⁰ Such arrangements may not be unusual for the ultra wealthy but for anyone else they are indeed unusual.

More importantly, the ability to globalize operations provides another example of how the super wealthy use their resources to avoid taxes through a variety of legal, and sometimes illegal, loopholes. Tax havens are a favorite means of avoiding taxes. Certain jurisdictions—among them Switzerland, the Cayman Islands, Luxembourg, the Channel Islands, and Liechtenstein—ensure complete secrecy for their moneyed depositors. While it is not illegal to deposit funds in these banks, it is illegal not to declare income from these deposits. Secrecy is the main service these banks provide: other than secrecy they provide no other services that are not available from other banks. It is estimated that the \$8 to 10 trillion dollars stored in these foreign tax havens allows their owners to avoid billions of dollars in taxes.⁴¹

These tax havens are much more than a minor aberration. They involve half of all world trade, deflecting to private pockets billions of dollars that would otherwise go to state treasuries. Tax havens played a key role in the financial crisis of 2008 by allowing U.S.-based financial firms to flog toxic debts out of the sight of domestic regulators. And tax havens serve as a conduit for dictators and the mafia to launder funds into the legitimate banking system.⁴² And it is not only small Caribbean or European nations that provide such services—the islands of Manhattan and Great Britain also play a major role in providing these services.

Tax revenues are essential for democratic governments to provide public goods and services. Ironically, the wealthy actually make more use of this physical and social infrastructure than the poor or average citizen, but they pay proportionally less. Taxing the wealthy is a means toward creating a more equal society. As argued above, the ultra wealthy do not deserve their extreme wealth given that it is obtained by only marginally improving goods or services based on the great store of common knowledge that is the human heritage.

Progressive taxation would be a way of bringing these financial rewards back into the public treasury where they belong.

However, current tax laws provide a variety of loopholes for creative accountants who serve the wealthy and have been able to reduce the impact of progressive taxation by leveling off and lowering the tax rates once paid by the very highest income sectors. The interference of the wealthy in establishing tax regulations also leads to generally lower rates of taxation for everyone, although the wealthiest individuals benefit the most.

The wealthy argue that high taxes discourage economic growth. However, many instances can be found of countries with very high rates of taxation and effective progressive tax systems (where the rates increase with levels of income) that are also economically successful. These countries then have the tax revenues to provide a variety of public goods for all citizens, creating more equal societies that benefit all members. Scandinavian countries provide examples.

Another ploy the very wealthy are good at is insuring that corporate taxes are kept low. This allows senior managers to make use of corporate funds for a variety of private benefits. (Why bother with income if you can spend company funds for fancy food, expensive vacations, and luxury toys like corporate jets and various hi-tech electronics, etc?)

More equal societies are better off on all the social and health indicators listed above. Extreme wealth accumulation leads to degradation of all these indicators, an inevitable consequence because tax revenues that might be used for public goods and services remain in the hands of the wealthy.

Inequality Is Bad for the Economy

Every social species engages in exchanges of goods and services, whether they are bees, chimps, elephants or humans. Exchanging goods and services is a drive that is lodged deep within the genes of all social animals. Exchange and sharing greatly expands and enhances the goods and services available to us, as well as establishing a more or less specialized role for us in our community. While the share market is a relatively new phenomenon, the marketplace is at least as old as humanity.

The purpose of the marketplace is to provide a wider range of goods and services than we can or wish to produce ourselves. This is the most fundamental purpose of the marketplace economy—to improve the quality of life for everyone in the community by encouraging various parties to provide what they can best contribute while obtaining a fair exchange for it.

The purpose of the economy is not to simply increase economic growth or to accumulate wealth. Both of these common policy objectives are, or should be, means to the broader goal of improving the quality of life for everyone in the community. The overarching goal of an economy should not be to accumulate great wealth—and certainly not to accumulate great wealth for the few at the expense of the many. But this is precisely the mandate of the global economic system we now have—a perversion of what it should be. This system exists not because it has evolved as a natural law but because gross inequality has allowed the few to subvert the democratic process and steer various laws, regulations, and even public attitudes, in directions that serve the narrow interests of the rich and powerful.

So in this very fundamental sense of what constitutes a desirable economy - enhancing the common good — gross inequality is a symptom that the system has failed.

Extremes in wealth also lead to separation and alienation of society's haves and have-nots. For those not on the top tip of the wealth pyramid, trust in either "other people" or "the system" suffers. *"Inequality... is a powerful social divider...affecting our ability to identify with and empathize with other people... even small differences seem to make an important difference."*⁴³

This relationship between trust and inequality is more than just a correlation. According to political scientists⁴⁴ at the University of Maryland, it is inequality that affects trust: *"the causal direction starts with inequality."* Their research shows that *"trust cannot thrive in an unequal world,"* that income inequality is the prime mover of trust, and that inequality has a stronger impact than rates of unemployment, inflation or general economic growth. Trust is necessary for empathy and cooperation in a society. Mistrust and inequality reinforce each other.

It must also be kept in mind that trust is the basis of any fiat money system.⁴⁵ If people do not trust each other or the system, fiat money (money not backed by a useful commodity such as gold or cows) becomes worthless. So the more inequality we generate, the greater the distrust and the greater the vulnerability of the money system we all take for granted and depend on daily. Most modern economies function with a money system. How much wealth has to be concentrated at the top for trust in a currency to wither?

Another fundamental purpose of an economy is to sustain itself. Which means an economy must protect and sustain those factors that allow it to function and survive. Given that all wealth is ultimately derived from nature, any economy that destroys nature's capacity to continue providing resources is self-destructive; any such economy will ultimately fail and fail miserably. The inequality of the current system, addicted to continued growth and wealth accumulation, is pushing the entire planet toward several ecological tipping points, which if passed, will result in dramatic reductions in economic opportunities and activities.

Only the most resilient and self-sustaining local economic activities will survive the ravages of climate change, biodiversity loss, and the pollution of our air, water and soils. And even such local economies will remain incredibly fragile and vulnerable to unpredictable natural events. An economy that destroys its natural base cannot be considered successful—and extreme inequality is one perverse expression of that destruction. What is even more perverse is that our culture continues to ignore this destruction and hold up the super wealthy as the epitome of "the best that life has to offer."

Inequality stimulates consumption. This is reflected in the fact that spending on advertising is directly related to inequality. In more unequal countries, a higher portion of GDP is spent on advertising. People also work more in unequal societies, save less and experience more bankruptcies. These are all indicators of excess consumption and they clearly demonstrate that attempts to maintain status (rather than to provide for basic necessities) can be bad for the psyche, bad for the environment and bad for the economy.

There are many other ways in which inequality is bad for the economy. Extreme inequality means that the few have much more financial wealth than they can reasonably use for their own pleasure. This excess wealth then becomes available not only to subvert democracy and to distort regulatory processes, but also to engage in speculative ventures in the mainstream economy that are inherently risky.⁴⁶

One example is the devastating collapse of the speculative mortgage housing bubble in 2008. Excess capital in search of a profit found its way into risky housing mortgage loans (loans that should never have been made because the borrowers had little chance of repaying them). Being well aware of these risks, the original lenders packaged these subprime mortgage loans with more secure loans (thereby obfuscating the risks) and sold them off at a profit—unloading the risks onto other parties. Some of the parties who were in-the-know about the real risks involved in these loans, then took out insurance policies (called Credit Default Swaps or CDSs) on the bundled loans they sold to others — in many cases betting that the loans would default and the insurance payments could be collected to make yet more profit.

One greedy New York hedge fund manager, John Paulson, was frustrated that there were not enough bundled loans to bet against, so he approached various investment banks to create more such loans and helped the banks assemble the loan packages know as Collateral Debt Obligations or CDOs. Paulson succeeded in getting Goldman Sachs to create CDOs that both he, and they, knew were faulty. His goal was to insure these CDOs would fail, so he could collect the insurance. Despite this inherent conflict of interest, Paulson succeeded in winning almost all his bets, taking home some \$3.7 billion in a single year. This was like arranging to have an aircraft manufacturer sell a jet plane knowingly built with poor aerodynamics, so that when the plane crashed, he could collect on the insurance he had taken out on a plane he did not even own!

Rather than being scorned or prosecuted for these shady deals, Paulson has been lionized in the financial press. This praise occurred despite the fact that his machinations helped trigger the 2008 financial collapse, whose shockwaves reverberated around the world, putting hundreds of millions of people out of work and causing many to lose their homes. Various investors lost billions of dollars and several large corporations went bankrupt. In the aftermath, many small businesses are still having difficulties obtaining bank loans for their legitimate operations because of the tightening of credit following the financial meltdown triggered, in part, by Paulson's big win.

Goldman Sachs, the investment bank that played a significant role in the irresponsible financial engineering that promoted these risky loans, has a long history of questionable deals involving rogue traders and inside trading.⁴⁷ When the U.S. Security and Exchange Commission (SEC) charged Goldman Sachs with fraud over its failure to disclose its relationship with Paulson with respect to these dealings, the firm's main defense was that what they did was "business as usual" on Wall Street. The fraud charge was settled with Goldman Sachs paying more than \$500 million in civil penalties, without, of course, admitting any wrongdoings. Not a bad deal for an investment bank that handed out some \$15.4 billion in bonuses in 2010.

Just how risky the activities of such a major investment institution can be is indicated by the fact that Goldman Sachs itself was having difficulties borrowing money in 2008—just to finance its own operations. To overcome this hurdle, the company quickly transformed itself into a bank holding company, which made it eligible to receive short-term loans from the U.S. Federal Reserve Bank, thereby allowing the U.S. taxpayer to fund Goldman Sachs' questionable activities.

History is filled with examples of this kind of immoral and antisocial financial behavior. The resulting inequality and economic instability has contributed to recurring recessions and depressions that have left a trail of broken dreams and damaged lives.

When there is greater equality in a society, there are fewer occasions of these kinds of highly risky and quasi-legal (if not downright unethical) financial manipulations. People without a gross excess of financial wealth are much less likely to take speculative risks with their money, focusing, instead, on meeting basic needs and comfortable sufficiency.

The period between the Great Depression and the rise of Reganism was such a period of greater equality in the United States. The post-WWII period was a time of economic growth and a prospering middle-class that benefited from new jobs and increased purchasing power. This allowed companies to stay profitable and keep investing to meet continuing consumer demands. It was also a time of high tax rates for the wealthy and a time when more of these taxes were used for public goods and services. More people than ever before felt prosperous and positive about life. It was a time of both prosperity and reduced inequality.

But it did not last. The resurgent financial influence of the wealthy gradually began to eat away at many of the reforms of the Roosevelt era. An increase in overseas investment (where post-Depression restrictions on U.S. corporate behavior often did not apply) gave the wealthy a taste for what was possible back in the U.S. More complex financial instruments were invented and the growing financial prosperity gave a false sense of the power of the marketplace—a theme reinforced by many think tanks and media that were discretely funded by the wealthy.

The U.S. and UK took dramatic turns toward deregulating many of the social and financial safeguards that had been put in place by earlier administrations. Ronald Reagan not only took down the solar panels his predecessor, Jimmy Carter, put on the White House roof, he also dismantled the banking regulations that inhibited risky speculation in the financial sector. The Reagan tax cuts, mostly for the benefit of the wealthy, led to a significant increase in inequality. His attack on organized labor also served the interests of the wealthy owners at the expense of the workers. The more these tax cuts benefited the wealthy, the more money they were able to pour into the hands of think tanks and lobbyists. The more workers lost, the more corporations (and their owners and stockholders) gained. The more workers lost, the less they were able to save and consume, the more they went into debt. As the spending power of U.S. workers declined, globalized corporations became less interested in serving domestic needs. Corporations began to shift their attention to more lucrative markets elsewhere.

Over time, economic growth and prosperity became something confined to the already wealthy. A 2005 Citibank newsletter sent to wealthy clients noted that, in the advanced economies of the U.S., Canada and the UK, “plutonomies” were evolving—economies where growth was restricted to the rich and where the rich were advised to cater to other rich people in their investments.⁴⁸

The ultra wealthy actively encouraged this turn toward a conservative agenda, and benefited from it. Wall Street played a big role in this transformation that occurred over a couple of decades. Influence exerted by the wealthy led to the repeal of anti-trust legislation, made it impossible to regulate the market to rein-in speculative instruments like the credit default swaps, deflected attempts by the European Union to regulate risky speculative investments, weaken the already modestly funded financial regulatory agencies such as the Office of Thrift Supervision, thwarted attempts by the U.S. Commodity Futures Trading Commission to regulate derivatives markets, and worked toward the elimination or reduction of the estate tax and other progressive taxes.⁴⁹

None of this was accidental. It was a concerted effort by the wealthy to expand their wealth and power over governments. MIT business professor, Simon Johnson, describes the current consolidation of political power by the U.S. financial elite as having created the “most advanced oligarchy” in the world.⁵⁰ With the growing number of billionaires in other nations, this phenomenon now has a global dimension.

Inflation erodes wealth because it acts as a progressive tax. Controlling inflation and keeping it at a minimum favors those with large financial assets much more than those with fewer assets. Inflation can actually be a bonus for many in the middle class who have fixed mortgages.⁵¹ If inflation increases, then paying off a fixed-rate mortgage with inflated dollars is cheaper than if inflation stays low. And, if salaries rise with inflation (as is often the case), this makes paying off the mortgage even cheaper.

But low inflation is often associated with high unemployment — which is good for the wealthy few and bad for the majority. Central banks, like the U.S. Federal Reserve, strive for low inflation, clearly siding with the interests of the wealthy over the middle class.⁵² When powerful institutions such as a central bank favors policies that support the retention and accumulation of wealth, it becomes that much easier for the already rich to increase their wealth at the expense of the majority. Most central banks have an official mandate to balance inflation and employment but, in most cases, their focus is on maintaining the interests of their primary constituents—the major banks that are part of the Federal Reserve banking system. These banks, along with their regional branches and affiliates across the country, provide a powerful lobby network for the Federal Reserve to retain its political independence, and thus, its economic power.

Few legislators, and even fewer citizens, understand the enormous power the Federal Reserve has over a nation’s economy. By the very structure of the U.S. Federal Reserve Bank, it is independent of political control, thereby taking upon itself the responsibility for controlling the economy. The Fed’s leadership wants to keep it that way and does so by catering to the interests that lobby on its behalf when necessary — the nation’s largest banks.

The economic power of the Federal Reserve is reflected in the fact that it sets interest rates, dictates the size of the money supply, and determines the rate of inflation and unemployment. It also has a large influence on how banks operate and are regulated. In many ways, the power of the Federal Reserve Bank is similar to that of the Chinese Politburo in the Chinese economy. Both are unelected bodies and both are managed economies, not market economies. They are managed with particular economic and social goals in mind. However, these goals are rarely made explicit to the general public, and alternative goals (for example, striving to provide more stable economies and greater social equality) are rarely discussed or considered in public.

Like the Chinese Politburo, the Federal Reserve has a political agenda as well as an economic one. In addition to preserving its independence through indirect lobbying efforts, the Fed ensures that its political network of financiers (who do its lobbying) are well rewarded—by keeping inflation low and deregulating banking to allow for maximum profits in the financial sector. Deregulating the financial sector is, of course, associated with an increase in risky investments—which appeals to those with excess capital in search of ever greater profit, who are willing to take risks, especially if they can use other people’s money. And this is precisely what the regulators at the Federal Reserve allow, and even encourage—always, mind you, couched in the most arcane economic terminology that only the initiated can understand.⁵³

Even legislators who are supposed to regulate the finance sector often do not understand all the social and economic consequences of the Federal Reserve's activities. And even if they do, there is always the temptation of the revolving door — i.e., the promise of a lucrative new career in the private sector can redirect a legislator's focus regarding his or her future interests. This revolving door saw Wall Street take over the top economic management positions inside the incoming Obama Administration. With many top government financial positions now held by long-time members of one Wall Street firm, Goldman Sachs, it has become a case of the inmates running the asylum.

With the Federal Reserve and other powerful financial institutions such as credit rating agencies⁵⁴ already predisposed to be open to the interests of the wealthy, it is no surprise that the wealthy take advantage of this special privilege to make their wishes known to these institutions. In the process, both the economy and society as a whole are adversely affected. The inevitable speculative bubbles that are encouraged by deregulated finance lead to recessions and depressions that put millions of people out of their homes and jobs, while further enriching the few. Such risky behavior is greatly reduced when there is little excess capital in the system and what is available has to be put to practical use by actually making goods people need.

This dynamic is repeated internationally where global institutions like the World Bank, the International Monetary Funds, and the World Trade Organization focus on increasing the wealth and power of the global elite at the expense of the majority. Entrapping poor nations into debt slavery by fostering loans that they cannot afford has been a favorite ploy of these institutions.⁵⁵ The so-called benefits of economic globalization largely accrue to the few bankers and corporate owners involved in these schemes, leaving impoverished nations with costly infrastructure "improvements" that provide little benefits to their citizens and encouraging the extraction and sale of local resources to service foreign debts.

Even when manufacturing plants are constructed and jobs promised, the beneficiaries are few. The theory of globalization says that Third World incomes will rise with economic growth but the reality is more often increased inequality.⁵⁶ What jobs are created generally provide subsistence wages, often under abysmal working conditions, with local political elites pocketing the loaned funds that the citizens ultimately will be obligated to repay. Such arrangements ensure the degradation of the poor nations' cultures and environments along with their economies.

There are many examples of nations that were touted as shining examples of globalization that appeared to thrive when foreign investments first poured in, only to be vilified later, once their economies failed. But these economies failed precisely because they had followed the prescriptions of the institutions promoting globalization—they accepted loans they could never repay, or they allowed their resources to be depleted, or they were outcompeted by other nations that (encouraged by the same international institutions to be part of the global economy) produced similar exports at a lower cost. Economic globalization has brought the many problems associated with inequities in wealth to be writ large across the globe.⁵⁷

This globalization of great extremes of wealth and poverty has benefited the few and impoverished the many, destroying rather than building genuine economies designed to support people into the future. The consequences of growing inequality are well understood by the wealthy, but the fact that their own special interests can be served by these policies and regulations overshadows any impulses to fairness and equity they may experience.

It must be noted that the symbiotic relationship between those with extreme wealth and elected or appointed officials grossly distorts the democratic process. In addition to corrupting democracy, extremes of wealth stifle upward social mobility, which is a cornerstone of a just society, especially one supposedly based on a meritocracy.

President Franklin Roosevelt reflected this sentiment when he warned: “*Government by organized money is as dangerous as government by the organized mob.*”

Clearly, what is best for the wealthy is not good either for the economy, for society, or for democratic institutions and processes. The relationship between those with extreme wealth and the majority is not one of mutual benefit, but one that more resembles that of a vampire bat and its prey.

MYTH # 3: *High Financial Rewards Are Required To Motivate People*

One of the arguments invoked to support the idea that wealth accumulation is not only good but necessary is based on the notion that high rewards are required for high achievements. The argument goes that if we want a prosperous, innovative society, then we need to provide high rewards for those that are high achievers. This is what motivates people to succeed and make great things happen. According to this argument, a society devoid of high rewards would be grey and stagnant, with no motivation for anyone to innovate or apply their genius to what the world needs. Furthermore, the high rewards must be financial in nature.

There are multiple problems with this myth.

First of all, intrinsic rewards can be as least as powerful and motivating as financial rewards. Focusing exclusively on financial rewards reflects a constricted *homo economicus* view of humanity—the prevailing assumption of neoclassical economics. This is a partially valid but significantly incomplete view of human nature. People are motivated for a wide variety of reasons, many of which cannot be replaced by money. In fact, some of our most powerful motivations derive from altruistic impulses that are as much part of human nature as self-interest and greed. These altruistic impulses push us to make sacrifices for others, whether they are members of our own family whom we love, or even complete strangers whose lives are saved by the heroic actions of a Good Samaritan.

The enormous amount of volunteerism that people engage in is another example of non-monetary motivations making important contributions to society. Such activities may involve visiting shut-ins at the local retirement villa, as well as highly qualified professionals who engage in pro bono work because a cause arouses their personal interests. Many groundbreaking legal precedents have been set by lawyers working as volunteers. Many important scientific discoveries and technical inventions have also been produced by individuals driven by intellectual curiosity or a desire to provide a service with little consideration of remuneration.

Other examples of intrinsic motivations are seen when people do things for the sheer pleasure of doing them. This can apply to athletes who strive to be the best, artists who are absorbed with their craft, scientists who enjoy the thrill of discovery, or even business people who take pride in providing an important good or service to a community they are part of. Human nature requires community as much as it does self-interest. Surely the world is a better place for these pursuits, none of which require large financial rewards.

Much of our sense of self (how we value ourselves and how others view us) derives from the work we do and how we contribute to the community we are part of. For many small local businesses, being a useful part of a community is as important as profit. It is when we make a transition from providing a genuinely useful good or service to a community we care about, to focus on making a profit by selling something, that our motivation changes.

And this change is not necessarily the better for society as a whole. Indeed, when financial rewards become the dominant focus of activities, they can have a significant distorting effect on that activity. A few decades ago, various athletic achievements were pursued with considerable vigor and skill (e.g. the number of home runs in a baseball season). However, with the introduction of skyrocketing salaries now offered for top athletes, the temptation to use cheat or use performance-enhancing drugs has increased.

The same distortions occur in business and finance. The opportunities that today's regulations allow for obtaining enormous salaries or profits can drive owners and senior managers to take safety shortcuts, illegally evade taxes, abuse the rights of indigenous peoples, ignore the human or environmental impacts of pollution, cheat employees of their wages or pensions, depress shareholder value, or wreak havoc with ecosystems. The Big Prize (profit and payout) for the few does indeed become a powerful motivator. But, in such cases, it is difficult to see how these distortions make a positive contribution to bettering society. Perhaps it would be better if such powerful motivations were not encouraged or allowed.

Questioning the role of big financial rewards in motivating great achievements means we also have to question what is considered a "great achievement." The example of hedge fund operator John Paulson—a man who earned several billion dollars in one year and is considered a great success in the financial media—shows just how destructive such achievements can be. Ostentatious consumption of luxury items is portrayed as a great achievement; so is making a marginal contribution to some technology while ignoring the common heritage of knowledge that made that marginal contribution possible. When accumulating wealth becomes the only goal, rather than making a genuine contribution to people's well being, we should know we are running on the wrong track.

Wal-Mart's success as a profitable business is often held up as a great achievement. It is one of the largest and most profitable corporations on the planet, with annual revenues in excess of many nations. It is argued that Wal-Mart has done much good in bringing inexpensive goods to people who otherwise might not be able to afford them while creating thousands of jobs—including those of the Chinese and other Asian workers who produce most of the goods sold in Wal-Mart stores.

But what is ignored in this analysis is the thousands of jobs and small businesses destroyed by Wal-Mart's bix-box invasion of a community, the enormous environmental damage done by using declining resources (that could be used locally for more important tasks) to manufacture cheap goods that quickly enter the waste stream. Creating low-paying jobs in China and other cheap labor markets is not necessarily a good thing, either for the laborers directly involved, or for the home-based employees they displace. And the huge scale of the Wal-Mart's commercial exchanges with China provides Beijing with the more funds to continue growing their economy at an Earth-destroying rate, while creating troublesome trade balances with the United States.

Great achievements driven by intrinsic motivations are likely to be much more beneficial to society than so-called “great achievements” driven by greed. An economic system that focuses on rewarding continued expansion and wealth accumulation is one that will destroy people’s lives, whole societies, and the natural world that remains is the fundamental source of all our genuine wealth.

Another hole in this argument that high rewards are needed to ensure great achievements is that high rewards are not always associated with high performance. Top CEO salaries have increased many times faster than either the economy in general or even than the corporations they manage. In 1950, General Motors was a thriving corporation that paid its CEO just over half a million dollars a year (about \$5 million in today’s dollars). In 2007, GM ran a *loss* of \$39 billion but paid its then-CEO more than \$15 million. After the 2008 financial meltdown, many Wall Street financial firms responsible for the meltdown paid executive bonuses totaling \$18.4 billion, even while the firms they led were collapsing.

Another problem with the “motivation” argument is that high rewards are most important for those at the low end of the income spectrum, not at the top end. If someone is making a minimal wage, a small increase in pay can make a significant difference in their lives. Whereas a proportional increase in income for someone at the top end is much less noticeable, and unlikely to make much of a difference, other than in someone’s perceived status.

Furthermore, while jobs that are dreary, repetitive and unpleasant are often low-paid, they are often very important to society. Whether it is cleaning toilets or digging ditches, if these activities were not done, life would be considerably less pleasant. The intrinsic satisfactions that come with performing higher paying roles (e.g., artistic endeavors or professional activities of various sorts) are often not available to those with menial but necessary jobs. By rights, these individuals with menial jobs should have higher pay to make up for the lack of intrinsic satisfactions available to other workers, to ensure they do their jobs well and receive fair compensation. For menial laborers, the absolute level of pay is critically important to their general satisfaction.⁵⁸

As with many myths, there are some elements of truth in the one about high rewards being important. But what is important is not what the myth *says* is important. Financial rewards are more important for those at the bottom of the wage scale and financial rewards are important for most people, but only up to a certain level. Much evidence is available to conclude that once people achieve a basic level of material well being, they become less motivated by money. Other considerations—such as being with family and friends, engaging in personal interests, and connecting with one’s community—become more important determinants of happiness and personal satisfaction.⁵⁹

What does matter is the relative rewards someone receives compared to others, not the absolute level. As social creatures, we compare ourselves with others, especially those we consider to be our peers.⁶⁰ The question to ask is: “What level of relative rewards contributes to positive motivation to stretch oneself to achieve more?” The answer appears to be “not much.” Higher pay can indeed motivate people to try harder, to think more creatively and work longer hours. But the incentives do not have to be the huge multiples they now are in many companies. Currently all the cream rises to the top.

A senior U.S. sociologist reports “*the median [annual] compensation for CEO’s in all industries as of early 2010 is \$3.9 million; it’s \$10.6 million for the companies listed in Standard and Poor’s 500, and \$19.8 million for the companies listed in*

*the Dow-Jones Industrial Average. Since the median worker's pay is about \$36,000, then you can quickly calculate that CEOs in general make 100 times as much as the workers, that CEO's of S&P 500 firms make almost 300 times as much, and that CEOs at the Dow-Jones companies make 550 times as much.”*⁶¹

Apparently, South Africa has the largest differences between CEO and worker pay: A top corporate official takes home 1278 times more than the lowest-paid worker.⁶²

It is doubtful whether any of these CEOs would have worked less hard or been less creative if their income only increased by say 10 % instead of the 31% reported. CEOs' compensation in the past was not such a high multiple of worker's salaries, nor are the salaries of CEO's in other prosperous nations so much higher than that of the average workers, yet their companies and national economies are successful.

Extremely high financial rewards are not needed to ensure performance. This is evident from the poor performances associated with some very high CEO salaries, the ratio of CEO salaries to those of the lowest paid workers from both the past, and compared to the ratios in other successful economies. It is only the CEOs who benefit from these high ratios, not necessarily the companies they manage nor the societies they operate in.

Are these high salaries needed to recruit the “best talent” that might otherwise be lost to better-paying competitors? This is one of the most frequent arguments used to justify extreme levels of compensation. The answer is simply, “no.” Financial compensation alone is not the only consideration for a senior manager to accept a position. Relative rewards are important, not absolute levels.

CEO pay is determined by boards of directors, whose compensation is, in turn, determined by the CEO. This cozy relationship (often among former classmates and colleagues) has been described by a U.S. Court of Appeals judge who is also a University of Chicago Law professor. He notes: “*Shareholder election of directors [of large corporations] resembles the system of voting in the Soviet Union and other totalitarian nations.*”⁶³ Directors and CEOs do a lot of mutual back-scratching, including making sure that their collective salaries are as high as possible. This process has a far greater impact on compensation packages than competing for talent among corporations.

Indeed, there are many social, population, health, environmental and economic problems associated with the inequality that these extreme compensation packages reflect.

One of the consequences of these high salaries is that much of them become wasted resources. Such high salaries are not needed to ensure high performance. The money spent on these salaries could be used to better compensate other employees, used for R&D within the company, or paid in taxes. It is a squandering of valuable resources that could be used to greater benefit of both the companies involved and society in general. These excess financial resources give a few individuals enormous political power, adversely influencing the lives and well being of millions of people.

MYTH # 4: *The Wealthy Give Back to Society through Philanthropy*

One of the justifications for wealth accumulation is that the wealthy are the biggest philanthropists, benefitting society with their largess. This largess is said to provide a range of public services unfunded or underfunded by governments, and redistribute wealth in the general population.

Charitable donations in the U.S. topped \$200 billion in 2007, a large amount with great potential to do good. Most of these donations come from individuals rather than corporations, and higher income families provide the largest amount of charitable contributions in absolute dollars. Recently, a “Billionaires’ Club” of some very wealthy individuals has pledged to give significant amounts of their sizeable fortunes to charity—over time.⁶⁴

Contrary to popular belief, however, it is lower-income families that actually donate the highest percent of their income to charitable causes⁶⁵ and, in absolute dollar terms, their contributions are significant.

Charitable contributions almost always involve the opportunity for tax deductions. Wealthy individuals are likely to benefit more from these deductions, especially compared to the lowest income earners who likely pay little if any tax, yet donate the highest percentage of their incomes of all groups.

The groups that benefit most from charitable donations are religious organizations (almost a third of all U.S. donations) and educational institutions (receiving about 14%), with arts, culture and the humanities also receiving several billion dollars a year in the U.S.⁶⁶

Canadian mining executive, Peter Munk, recently donated \$35 million dollars to establish a global affairs institute at the University of Toronto. Naturally the institute is named the Munk School of Global Affairs. This charitable donation allowed him to deduct at least \$16 million from his taxes over several years (more, if he made the donation in shares of a publicly traded company, as most wealthy donors do to further reduce their taxes). The funds donated, however, were only part (and a small part, at that) of the capital needed to establish the centre. The rest of the funds are being provided by the Ontario and Canadian governments (i.e., the taxpayers). In fact, the lion’s share of the cost of the Munk School is being covered by taxpayers, who will continue to contribute over the life of the center.

What Munk has done is establish himself as a major philanthropist, arranged to have his name honorably and prominently displayed in a major public area of Toronto, Ontario, and received considerable media adulation. He has also avoided some taxes but, most importantly, he has managed to thwart scholarly discussion of the mining industry, and has done so largely at public expense. How likely is it that any academic at this center will attempt to research the social or environmental impacts of mining? University officials are not likely to appoint academics to this school (or other departments in the university) who might have political views or conduct research that would offend the sensibilities of this generous benefactor. The fact that Munk’s mining ventures have been attacked by environmentalists and indigenous peoples in Chile, Argentina, Peru, the Philippines and Tanzania—and that there is an annual Global Day of Action Against Barrick Gold Corporation (Munk’s company)—goes unnoticed in the Canadian media.

A considerable amount of charitable donations by the wealthy is of this self-aggrandizing nature. Arts Centers, sports stadiums, hospitals and research institutes are often named after wealthy donors who receive considerable public (and personal) benefits for their contributions. In addition, because of the size of their

donations, large donors often influence the direction of research and public policies, often in a direction that benefits the donor. Pharmaceutical company donations to cancer research provide a prime example. Rather than focus on preventing cancers that have environmental/chemical triggers, the Big Pharma companies encourage research into the efficacy of drugs to treat the *conditions* rather than preventing the *cause*.⁶⁷

According to some sources, Bill Gates is secretly funding geo-engineering solutions to climate change. Gates has invested in a company that is promoting a scheme called StratoShield, which would pump sulphur dioxide into the upper atmosphere—a proposed geo-engineering solution to offset Global Warming. Other well-meaning billionaires are also looking at geo-engineering solutions to climate change.⁶⁸ Even if we put aside any financial self-interest in such activities and acknowledge the good intentions behind these endeavors, there is the danger that some individuals with sufficient financial resources could actually unilaterally attempt some of these dangerous geo-engineering solutions without any democratic civilian or scientific oversight.

Many donors sit on the boards of the institutions they donate to, providing them an opportunity to exert direct influence. Not many wealthy patrons sit on the boards of poverty coalitions, food banks or environmental advocacy groups.

The wealthy have many ways of directing their money to causes they support—causes that may or may not be in the public interest. For example, the Bill and Melinda Gates Foundation recently purchased some 500,000 shares of Monsanto for about \$23 million. Monsanto had recently purchased the largest mercenary army in the world, formerly known as Blackwater. A related company, Total Intelligence Solutions, is used by Monsanto to spy on and infiltrate organizations of animal rights activists, anti-GM and other dirty activities of the biotech giant.⁶⁹ The Gates Foundation is said to share Monsanto's interest in replacing traditional African seeds with corporately controlled "patented" seeds.

Not a great deal of charitable donations from the wealthy end up benefitting the poorest members of society, or address significant social or environmental problems. But even when wealthy philanthropists make a serious effort in these directions, things do not always turn out as planned.

The Bill and Melinda Gates Foundation is to be credited with making significant financial contributions to tasks like eradicating polio and improving public education. Unfortunately, both of these \$1 billion-plus projects failed. Polio continues to spread across Africa and Gates himself admitted that the Foundation's educational programs were not working.⁷⁰

Part of the challenge for the Gates Foundation is that it relies heavily on technical solutions to the problems it addresses, not a surprising bias for a foundation funded by someone who made his fortune in computer software.

But even a health problem like polio is embedded in political and social systems that can interfere with technical solutions, which is what WHO officials identified as they assessed the impact of the Gates Foundation program.

It appears that much of the philanthropic activities of the wealthy do not assist the poorest members of society. Indeed, these charitable activities provide considerable benefits to the givers, including the creation of a personal legacy they can feel proud of, and one that can obscure some of the donor's more questionable activities.

Mr. and Mrs. Gates and Warren Buffett have been outstanding among the wealthy in championing worthy causes and—putting aside any possible obfuscation of their activities for financial self-interest—there seems to be a genuine impulse to contribute to the common good. And they have inspired other ultra-wealthy individuals to make similar donations.

Michael Bloomberg, for example, has admitted that his wealth (some \$18 billion) is much more than he could possibly spend in his lifetime and that the only real security is common security. Bloomberg reasons: *"If you really care about your family, it's best to do something to make the world a better place for your children and grandchildren, rather than just giving them money."*⁷¹

However, this noble sentiment and the good intentions behind the Billionaires' Club overlooks the inherent dangers of leaving "how to make the world a better place" in the hands of a few people who, by their wealth and status, are alienated and removed from the people and problems that need the most urgent attention.

It is a wonderful step that so many ultra-rich people have come to understand that they cannot really use the financial resources they have accumulated for themselves and that there are urgent needs in the world that could benefit from directing these funds elsewhere. But it is another step entirely to use their power and influence to acknowledge that their wealth accumulation should not have occurred in the first place—i.e., that they gained great wealth largely based on the common heritage of human knowledge that we discussed above. Some wealthy individuals, Buffett among them, have called for higher taxes for the wealthy, acknowledging that the tax rates for the super-rich are "absurdly low."⁷² In a fair tax system, these funds would have ended up in the common treasury rather than private hands, to be used for the common good. As a bonus, under such a fair tax system, the opportunity to interfere with the democratic process would be reduced.

This is the basic problem with philanthropy on the scale it exists today. The enormous extremes of wealth bestow unprecedented power on the super-rich and allow them to influence decisions that affect the lives of billions of people, the survival of other species, and the very nature of future societies. To date, this philanthropy has not shown itself to be equal to the task of effectively addressing the most serious social and environmental problems that challenge humanity.⁷³ Extreme wealth accumulation has arguably done considerably more harm to people and the planet than philanthropy will ever be able to overcome.

This form of philanthropy is neither a democratic nor a just process because it arises from an economic system that both allows and encourages the accumulation of extreme wealth. The extraordinarily unbalanced power of today's philanthropy is yet another symptom of a broken economic and political system. Such philanthropy is not currently (and may never be) capable of redressing these problems unless, as a starting point, it is used to advocate for reforms that would prevent extreme wealth accumulation in the first place.

CONSPIRACY OR AD HOC OLIGARCHY?

Oligarchy is government by the few.

History has seen various versions of oligarchies emerge, but today's globalization has created a new set of super-elite whose concentrations of economic wealth and political power are unprecedented. Today's powerful minority of super-rich are among the biggest threats to peace, justice and survival on our planet.

When the global justice movement first emerged in the mid-1990s, much attention focused on the globalization of power by institutions rather than individuals, especially via the expansion of free trade and investment agreements—like NAFTA, the WTO, and the MAI (Multilateral Agreement on Investment) —as well as the policies of the IMF and World Bank.

True, unrelenting protests by global civil society successfully managed to derail further expansion of the WTO, but the policies already in place have allowed transnational businesses to establish a global presence, opening up unprecedented opportunities for national elites from previously closed economies to emerge as new global players. The result is that international institutions seem to be increasingly impervious to public pressure for change, while the individuals who benefit most from current arrangements are ever more insulated from public scrutiny and accountability. In turn, these individuals' expansion of assets—coupled with their secrecy—has empowered them even more to conspire to control governments.

Too little is known about today's invisible—yet informal—group of individuals who secretly and consistently influence government policy decisions and overall directions on fundamental issues through their own personal interests in finance, military, resource extraction, etc.

Oligarchies are as old as civilization and, as new forms of government emerge, they each have to deal with the dominant oligarchy of the time. A scholar who has studied oligarchies throughout history notes: "*Democracy does not displace oligarchy but rather fuses with it.*"⁷⁴

Given the extremes of wealth that exist today—and the social, political and environmental consequences of this wealth accumulation, including the distortion of what is commonly understood to be democratic processes—today's oligarchy is far from benign. Understanding who is involved in the oligarchy, how they operate and the consequences of their influence on major political decisions and ecological sustainability, is vitally important for all progressive movements that seek a better world.

The piece in this publication called "The Planet's Worst 50" identifies at least some of the wealthiest people on the planet and how they are contributing to some of our most significant environmental problems—climate change, biodiversity loss, and toxic pollution of our air, land and waters. This is not an exhaustive list: it is merely intended to be illustrative of the scope and power of these individuals.

It is hoped that, by highlighting who these individuals are and the negative impacts arising from the accumulation of their vast fortunes, progressive groups around the world will focus some of their attention and energies on the elite individuals behind the corporations and institutions they are currently challenging. Reform campaigns that ignore the very influential roles of the elite risk deflecting attention and energy away from the largely hidden impact these elites exert on the democratic process.

The elites would prefer to have reform campaigns continue to focus on governments and institutions, well aware that they have the resources and power to outcompete reform groups for the attention and control of these groups. Focusing on the elites themselves could be a game-changer that could result in reform faster than traditional approaches.

There are many conspiracy theories about the oligarchy. Some involve the Bilderberg Group, the Council on Foreign Relations, the Trilateral Commission, while others detail how wealthy and powerful individuals meet regularly to discuss issues and plan strategies to manage world affairs at private retreats like the forested enclave at California's Bohemian Grove. While much of what happens in these meetings is not public information, there is no denying that these meetings are held. On occasion, some privileged information from these meetings is strategically "leaked" and post-event public position statements are sometimes posted on the websites of the attending corporations and organizations. Still, in the most fundamental sense of "breathing together," these secret gatherings, conducted in well-guarded enclaves, clearly constitute conspiracies.

The basic notion of a conspiracy is that a group of people agrees to deceive, mislead, or defraud others of their legal rights, or to gain an unfair advantage. There are innumerable examples of very wealthy individuals engaging with other wealthy individuals and politicians in all of these self-interested activities. By definition, these elite groups are conspiracies, and many of them form, achieve their goal, and move on to other priorities—together or with other elites.

However, an enduring theme in many of these groups is the notion of developing a world government, an issue rarely discussed in public.

Conspiracy theories often go beyond these basic characteristics and assume or imply a well-structured organization of elites, or propose that there is a single global organization that controls elite activities. However, from what has been revealed of these confidential meetings, there does not appear to be an appointed leadership, nor a formally agreed plan of action that necessarily arises from these meetings. At times, there even appears to be heated conflicts and debates within these groups. And while some individuals seem to be constant participants, attendance at these rare, exclusive meetings is fluid.

These observations suggest that the oligarchy is not a conspiracy in the sense in which it is often meant—an organization that is operated like a well-managed corporation, with a defined hierarchy, accountabilities, a ratified strategy and coordinated operations.

But a moment's reflection indicates that the oligarchy does not need to operate this way to be successful. Their common purpose, wealth accumulation, is now well-embedded in our global culture and many institutions at all levels reinforce and support this goal. It is a goal shared by all the ultra-rich. They have mastered all the various means that are at their disposal to reinforce these institutions to retain and enhance their wealth and power.

Very often, self-interested actions by one wealthy party will benefit many others in the ultra-rich community—a rapidly rising tide raises all yachts, even if it swamps many smaller boats (and does nothing to help those clinging to inflatable life-vests). For example, any influence a wealthy individual may have on destroying plans for a progressive taxation system will benefit other wealthy people. Any influence a wealthy person has on deregulating banking constraints allows all those with excess wealth to benefit. Any influence a wealthy person may have on international organizations like the WTO, IMF or World Bank that benefit their own narrow interests, may also benefit the interests of many other wealthy people. Any influence by a wealthy corporate leader to undermine unions or reduce environmental regulations directly or indirectly benefits other

corporate owners. Any initiative by a wealthy individual to influence public opinion by funding a think tank study on cutting business taxes helps reduce taxes for all wealthy people, and so on.

Because the ultra-rich and powerful have many common interests in terms of maintaining and expanding their wealth and power, it would be surprising if, from time to time, at least some of them did not meet to discuss common interests and actions. Some wealthy individuals such as the Koch brothers are relatively open about at least some of the areas in which they exert their influence.⁷⁵ More often than not, however, the ultra-rich operate in secrecy, drawing little attention to themselves and their actions.

Organizations like the Bilderberg Group and other groups mentioned above require secrecy as a condition of membership. The agendas of these meetings are secret (although many have been leaked) and what is discussed is never officially revealed to the public. Media coverage is forbidden, although media tycoons are often present. Also present at many of these meetings are senior politicians who, although they may not own fortunes, hold positions (or may hold positions in the future) that allow them to influence regulations and laws of interest to the very wealthy. There is no accountability for these politicians to divulge to the public what “understandings” they may have come to in these private, off-the-record meetings.

In terms of secrecy and dealing with self-interests that may well be incompatible with the common good, these groups can legitimately be labeled as conspiracies. However, these groupings of the rich and powerful are fluid and unconstrained by fixed structures or procedures. They come together out of self-interest, argue with each other when their interests compete, and return to their discrete areas of operation. In some ways, with their practice of coming together to talk shop and then go their separate ways these gatherings of the wealthy elite resemble a summit of mafia bosses. In fact, many of the wealthy elite do have traceable links with intelligence agencies and organized crime.⁷⁶

Exactly what is discussed at these meetings, what agreements are made, or understandings reached, are secret by design. This is a serious problem, given that the rich and powerful can wield such a significant influence over the lives and well being of billions of people. Whether we regard the power elite as a conspiratorial group or as an ad hoc association, we would be well advised to treat them with considerable suspicion. And, of course, they may be much better organized than we know.

Why Focus on the Oligarchy?

The purpose of drawing attention to the oligarchy is to highlight the role the ultra-rich play in the lives of most of humanity, especially the negative role with respect to global inequity, environmental degradation, and the perversion of democracies. They collectively constitute an unofficial source of power that, if not understood or ignored, cannot be countered. To comprehend the dynamics of oligarchy is also to begin to appreciate their tenuous hold on power. Their self-appointed role as Masters of the Universe derives largely from the ignorance and acquiescence of the rest of us. Our avoidance of this “taboo” subject makes us all co-conspirators in both their assumption of power and the devastation it imposes on people and the land. To understand how they have accumulated wealth and power is to question the legitimacy of that wealth and power—and inevitably raises the question of how to begin the redistribution of that wealth and power to the public sphere.

To focus on the oligarchy is not about assigning blame for the global inequity and ecological devastation that confronts us all. We all contribute to this system by both ignoring the role of the oligarchy and by being consumers in the global economy. The goal here is to understand the dynamics that allow the oligarchy to continue and to understand how we all contribute to maintaining this system by playing into it. Understanding the unique and powerful role of the oligarchy is an essential part of addressing our global challenges.

The increasing scarcity of natural resources and degradation of global ecosystems will affect us all. It is reasonable to assume that the elite are well aware of these issues and will do what they can to ensure they are only minimally affected. If they have their way, it will mean increasingly less for the rest of humanity: fewer natural resources, less land, less clean water, less energy, fewer healthy ecosystem services, fewer healthy communities and fewer social supports.

The increasing control that governments have claimed over citizens' freedoms, combined with the increasing control that corporations have over essential goods, and the increasing control unelected elites have over the political sphere, are all cause for concern. Unless these issues are confronted directly, there may be little hope of progress on critical issues such as climate, energy, water, biodiversity or global equity.

On the positive side, a small but increasing number of wealthy elites seem to be acknowledging that they wish to use their vast resources to do good. Unfortunately, their notions of what priority issues require support, or how best to support the needed reforms, often seem far off the mark. Herein lay opportunities for integrating a deep understanding of social and ecological challenges with real power to change. Progressive movements for strong sustainability and social justice know what needs to be done. Those with the financial resources to make fundamental change happen do not understand what fundamental reforms are needed. Somehow, these very different and seemingly divergent resources need to come together. *Why Worry About Inequality? Why Not Focus on Poverty Reduction Instead?*

One argument made against dealing with inequality is that a focus on poverty reduction would be more constructive. The argument is that poverty is the problem and therefore reducing it should be the priority; if some individuals attain great wealth that is less of a concern than eliminating poverty—let's help everyone become wealthy.

There is no question that the poor deserve a better life. But poverty is only one significant social problem. The data indicate that extreme inequality has the same impact as poverty; "...all problems which are more common at the bottom end of the social ladder are more common in more unequal societies."⁷⁷ If the problems associated with extreme inequality are the same as those associated with poverty, then surely both issues deserve the same effort.

In addition, part of the solution to poverty is redistributing the benefits of economic activities. Making everyone super-wealthy is not an option on a finite planet. The mistaken notion that economic growth is the route to poverty reduction fails to acknowledge that sharing of finite resources is the only path to both social equity and poverty reduction. As long as there is a belief that economic growth can raise people out of poverty, there is no need to face the justice issue—or the oligarchy. We are coming to the end of economic growth as we have known it over the past two centuries—energy descent (owing to the depletion of Earth's cheap fossil fuels) will ensure this outcome.⁷⁸ Whether humanity comes up with a plan to end inequality will

depend on how well we confront the oligarchy now that the limits of global resources, carbon-sinks and other critical waste absorbing capacities of ecosystems are becoming increasingly apparent.

The options before us include: (1) a continuing extension of extreme inequality, with more and more people moving toward the poverty end of the spectrum, or (2) a significant redistribution of existing wealth with much stronger prohibitions against accumulating extreme wealth in the future.

The first option foresees authoritarian regimes and extreme bifurcations of society, considerable international conflict and social violence. Such an option would also guarantee the steady degradation of planetary resources beyond the limits of resilience or recovery. Such a future Earth would be a bleak place, with few ecosystems capable of meeting human needs; it is the route to a planet with a diminished layer of life forms—the Midas touch will have destroyed our means of survival.

The natural instincts of the elite will move them to ensure their own survival and well being, pushing them toward this disaster option in the mistaken belief that they can remain on top of a collapsing biosphere. Their deeply entrenched sense of entitlement and misplaced faith in technology will blind them to the inevitability of destroying their own nest—until it is too late. Such people are used to getting their way and will expect to prosper, even in a resource-depleted world. Accepting limits is not a part of their repertoire. But the reality of a cataclysmic “overshoot” of the natural resources that support human life⁷⁹ is not something they will be able to buy their way out of—at least not for long. Helping them understand that the only genuine security is common security is one of the most important tasks we face.

The option of redistributing existing wealth and prohibiting the accumulation of extreme wealth in the future may seem an impossible ideal. There are, however, many policy options available to make significant moves in this direction. Technically we have a fair idea of how to accomplish these life-saving goals

FOSTERING GREATER EQUALITY AS A ROUTE TO SUSTAINABILITY AND FAIRNESS

Understanding the finite nature of natural resources and fostering greater social equality can be seen as a means to both ecological sustainability and greater fairness in the distribution of finite resources. Further appreciating the enormous claim on global resources now held by the wealthiest 10% of the global population (estimated at 85%), the need for redistributing financial wealth becomes evident.

The global pie cannot be made bigger; it must be shared more equitably.

Appreciating that humanity has come to the limits of economic growth and resource depletion creates an imperative to protect what remaining biocapacity⁸⁰ we have. To do this, ecological sustainability requires a steady-state economy,⁸¹ and for a steady-state economy to endure requires equitable distribution of nature’s bounty.⁸² Our focus here is on the negative role played by extremes in wealth in achieving these critical goals.

There are two broad objectives to consider: redistributing wealth to address the extreme inequities that currently exist, and ensuring that such extremes cannot occur in the future. Some remedies can address both these objectives.

There are a variety of policies that could reduce extreme inequality, such as:

Inheritance Taxes: Inheritance or estate taxes would see the reduction of vast fortunes being passed on from one generation to the next. To be effective, estate taxes must be triggered at a low enough level and increase with the size of the inheritance. There should be no levelling off at the higher end, as currently occurs in many jurisdictions.

Wealth or Luxury Taxes: Given the resource constraints of a finite planet and the basic needs of an ever-expanding human population, the best solution to the waste implicit in creating luxury goods might be to simply ban further production of such goods. How many luxury yachts and private jets does an energy constrained world really need? An alternative approach would be to place high taxes on purchases of luxury goods. However, this approach necessitates identifying luxury goods, which could increase bureaucratic procedures and costs.

A simpler and more efficient approach would be a progressive consumption tax, which would see no tax on low levels of consumption (so that it would not be regressive) but would increase as consumption increased. As economist Robert Frank explains: “the progressive consumption tax is...one that will free up literally trillions of dollars each year to spend in ways that will create lasting improvements in the quality of our lives. This is money for nothing, in the sense that *we can get it without having to sacrifice anything of enduring value* [emphasis added].”⁸³

Income Schemes that Limit Ratio of Highest to Lowest Salaries: Some societies manage equity by preventing large discrepancies in wealth from occurring in the first place (e.g. Japan and the Mondragon Cooperative in Spain). In these societies, excessive pay is avoided by adhering to a ratio of highest-to-lowest salaries that ranges from 3:1 to 30:1, which is significantly lower than the current 500:1 ratio for U.S. executive pay.

Progressive Income Taxes: If incomes are not limited, then greater equity can be achieved by progressive income taxes whereby those with the highest incomes pay increasingly higher rates of income tax. Those with low incomes may pay little or no taxes. Even in the United States, there have been periods when the top tax rates have been in the 90% range. Such schemes still allow for the status value of incomes to be enjoyed by high earners—and they get the further satisfaction of making relatively larger contributions to the common good through taxation.

Many current progressive tax schemes actually level off at the extremely high end, allowing those with the highest incomes to avoid significant amounts of tax. Such loopholes should be filled so that all parties participate fairly.

Closing Tax Loopholes for Tax Avoidance or Reduction: Tax regulations can be complex and the complexity is subject to political influence by the wealthy, creating many opportunities for loopholes. Such loopholes should be plugged.

The game of finding creative ways around tax regulations could be further thwarted by removing the taboo against public disclosure of income. Incomes of senior public sector executives is already disclosed in Canada and other countries while executive pay is disclosed for publicly traded companies in the U.S. and elsewhere. Some countries, such as Finland and Norway, make everyone’s income and taxes public.⁸⁴ Such disclosures would help establish a norm of equitable distribution and help reduce the game of creative accounting associated with tax avoidance.

Removing Tax Havens Used for Tax Avoidance: As noted above, trillions of dollars of annual global financial transactions find their ways into secret bank accounts held both by corporations and individuals. A simple law requiring all banks to disclose who owns these accounts and automatic reporting of transactions in those accounts would ensure that “off-shore” accounts could not be used to avoid taxation. Such a law would not only bring billions of dollars back into U.S. Treasury, it would present a serious obstacle to criminal networks laundering funds into the legitimate banking system. It would also thwart companies attempting to keep risky financial schemes away from the scrutiny of regulators.

Adopt a Tobin Tax on Financial Transactions: Many financial transactions no longer take place in the “real economy”—the one that produces actual physical goods that people need. Around three quarters of current stock trading now involves “fast trading,” a specialized form of speculation carried out by computers.⁸⁵ Well over 80 % of daily financial transactions take place in the currency exchanges of the “virtual economy,” where small differences are turned into large profits because of the computer-driven magnitude of the trades. Such high-volume, cross-border currency transactions add nothing to the real economy. A Tobin Tax (first proposed by the Nobel Prize-winning economist James Tobin in 1974) would place a small excise fee on such transactions, with the fee increasing relative to the speed and volume of the trade. While such a tax would discourage short-term transactions, it would not affect the traditional long term investments that are needed for projects of genuine value.

A Tobin Tax would be an administratively simple means of raising billions of dollars annually without compromising legitimate long-term investments. It would also have the benefit of not allowing huge profits to be made on such transactions—profits that further contribute to the extremes of wealth now evident. While Wall Street hates the idea, the Tobin Tax is seen as a simple way to rein-in greed while tapping new revenue streams for social needs. This is why the Tobin Tax has been endorsed by German Chancellor Angela Merkel and former British Prime Minister Gordon Brown.

Stronger Regulation of the Finance Industry: There are several historical examples of what can happen when the finance industry ends up dominating the industrial sector. When the finance sector has few constraints on speculation and risk-taking, the inevitable results are financial bubbles that inevitably explode, hurting both companies and workers. But unregulated finance is a boon to those focused on accumulating financial wealth.

A range of regulations are available to curb such speculation and risky behaviours. These include: *increasing the requirements for fractional reserves to 100 percent; ensuring the separation of savings and speculative banks; placing limits on leveraging; increasing the authority of financial regulators to stop risky speculation; imposing stronger regulation of credit-rating agencies; requiring much stronger fines and penalties for activities such as insider trading and fraud; enforcing stronger laws for disclosures of deposit transactions to reduce opportunities for tax avoidance; and limiting the size of banks so that none are “too big to fail.”* These and other regulations are all technically feasible. As with so many reforms, enacting them is simply a matter of political will.

Redesigning Corporations: Multinational corporations have come to dominate the global economy, with many having economies larger than those of many nation states.⁸⁶ These corporations are by law required to ignore non-financial aspects of their operations if doing so would interfere with their ability to increase their profits. Corporations are legally permitted to ignore actions that would cost them money if such costs were internalized, for example, legal levels of pollution may be externalized to workers or communities but such

costs are not borne by the corporation. This narrow focus gives many corporations the characteristics of a psychopath⁸⁷—arrogance and deceptiveness combined with a lack of human empathy. The implications for communities and the environment are profound in terms of the damages that can be inflicted by powerful—and totally amoral—corporations.

Anti-trust Legislation: In the past, effective laws have been passed to help reduce the size and power of corporations. But more fundamental reforms are likely needed, such as the *mandatory renewal of corporate charters* every few years. Making the renewal of an operating license contingent on first meeting various social and environmental objectives could be one helpful step.

With energy descent inevitable, the need to revitalize local economies and to establish regional self sufficiency becomes increasingly important. A case could be made for restricting corporate charters to special cases where, for example, a local project may require pooled investments that are not possible on a local or regional level. Such charters could be granted for a limited time and with specific goals. The Subsidiarity Principle⁸⁸ could be applied to production of goods and services so that control over what is produced—and how it is produced (e.g. with sustainable business practices)—remains local or regional.

Sustainable Trade: Strengthening local economies will require a significant reduction (but not elimination) of interregional trade. As communities and regions become increasingly dependent on the resources within their community and region, the importance of sustainable trade practices will become increasingly evident. Sustainable trade involves ensuring that the biocapacity resources needed to sustain one region are not exported to another region. To export one's essential biocapacity is to degrade one's capacity to supply oneself with essential goods and services, and to condemn future generations to a reduced standard of living.

If a region has a level of biocapacity in excess to its needs, it could be desirable to engage in exports that reduce that biocapacity. But mechanisms would be required to monitor this export activity to ensure a short-term excess does not turn into a future deficit.

Sustainable trade also means only accepting exports from regions that enjoy a biocapacity excess. While there might be a short-term gain for the importing area, it would be unfair to deprive another region's population of their essential biocapacity. Such unsustainable imports could lead to unwanted immigration pressures as the future population of the depleted area attempts to move to the importing area. Such migration could quickly change what was an excess biocapacity to a deficit situation where everyone loses.

Moving toward a sustainable trade regime is likely to be a major international challenge due to the continuing environmental and economic legacy of past injustices.⁸⁹ The biocapacity of many poor nations has been depleted significantly by the colonial impacts of wealthy nations and this historic fact will require some form of equitable distribution of the world's remaining biocapacity.

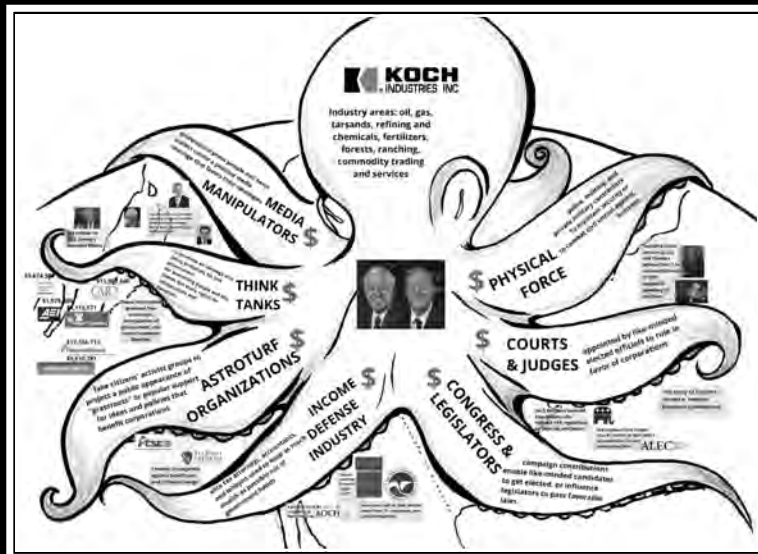
Additional features of a sustainable trade regime have been outlined in the IFG publication, Alternatives to Economic Globalization.

NOTES

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