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

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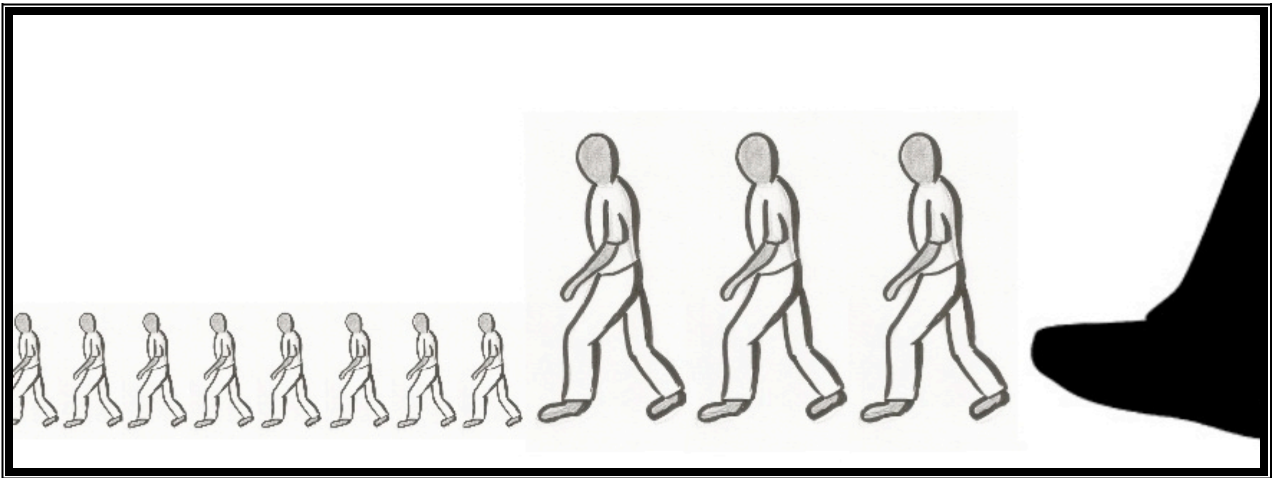

SUMMARY

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 wealth[1] 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 billionaires[3] 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 Rothschilds[9] 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 lanscape. 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 Hollerith[14] 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 commeasurate 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 lead 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 actions[22] 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 becasue "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. Layard[27] 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 happiness [35] 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 scientists[36] 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 globaize 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 scientists[44] 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 what 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 Reserves' 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 agencies [54]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 hugh 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 ore 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 causes[65] 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 Monk 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 life[79] 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 biocapacity[80] 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 implicity 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 psychopath[87]—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 Principle[88] 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

[1] For purposes of this essay let us consider "extreme wealth" as the net assets of the top 1/10th of 1% of the global population, or less than 7 million people worldwide.

[2] Thanks to Linda McQuaig for this and the following "parade" perspective on billionaires, in McQuaig, L. and Brooks, N. The Trouble with Billionaires, Viking Canada, 2010.

[3] Forbes list of Billionaires. http://www.forbes.com/wealth/billionaires

[4] http://en.wikipedia.org/wiki/Poverty#Absolute_poverty

[5] World Wealth Report, Merrill Lynch, 2007. http://www.mlbs.ch/en2/aboutus/files/WWR07.pdf

[6] "Wealth" in this study considered assets minus liabilities and therefore represents a somewhat different picture than income alone. Wealth so defined is a more useful indication of actual purchasing power and influence than income alone.

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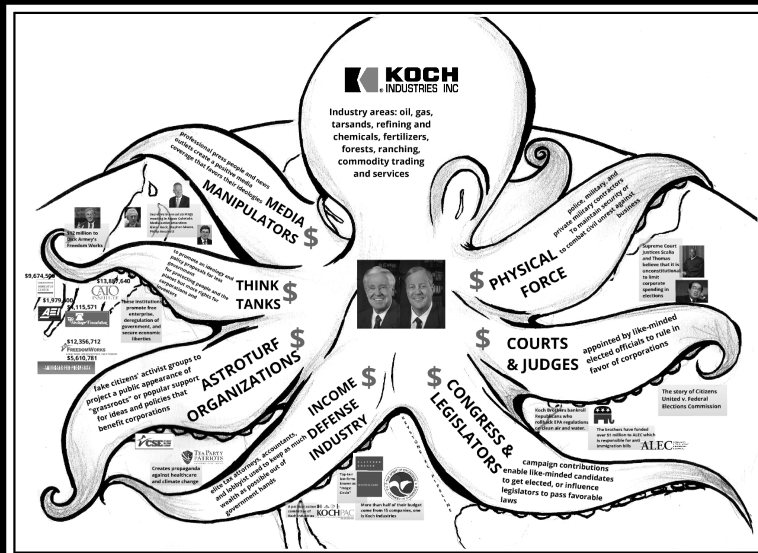

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