



Money Power: Who Makes the Rules?

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Some commentators express surprise that Pope Francis speaks so concretely and frankly about the abuse of power in today's world. In his social encyclical *Laudato Si'*, following a description of the astonishing technological and financial power available in our time, he asks: "In whose hands does all this power lie? It is extremely risky for only a small part of humanity to have it." (104).

Several times in his apostolic exhortation *Evangelii Gaudium (The Joy of the Gospel)* he reminds us that reality is more important than ideas. I think he means something like this: pay attention to what actually happens in real life. Do not be put to sleep by words that can be used to reassure and to pacify—whether noble words like "democratic" or tempting words like "profitable."

Many people associate power primarily with governments. But the Pope is keenly aware of, and concerned about, the enormous and often unaccountable power of large global corporations and financial institutions. Because they have the technological knowledge and resources to sustain massive advertising and communications strategies, the power of corporations is not limited to substantial control of markets, data banks, financial institutions, property and especially money. This power also reaches our educational systems and permeates our very culture with a mindset born out of analysing everything in market terms. In all these ways, large corporations are often able to reshape law and public policy in their own interests.

Corporate money-think is perhaps best seen in their persistent drive to put a price on everything—even political power. This leaves many people with only their consumer power. And consumer power is drastically limited for the poor, who have little access to cash or credit.

For many generations in capitalist societies, there has been widespread confidence in the myth that the free market, without interference by government, will eventually distribute income and wealth fairly. As recently as 2010, Republican presidential candidate Mitt Romney maintained that the sharing of income in society was not an election issue but a matter for the private sector. Yet there are dozens of studies pointing out that our economy is steadily becoming "an economy for the 1%". The January 2016 Oxfam Briefing Paper (oxfam.ca/our-work/publications/an-economy-for-the-1) states that "62 individuals have the same wealth as the poorest 3.6 billion people in the world."

This detailed research paper concludes: "The global inequality crisis is reaching new extremes. The richest now have more wealth than the rest of the world combined. Power and privilege is being used to skew the economic system to increase the gap between the richest and the rest. A

global network of tax havens enables the richest individuals to hide \$7.6 trillion.” The January 2017 Oxfam Briefing Paper, titled “An Economy for the 99%”, insists that it is time “to build a human economy that benefits everyone, not just the privileged few.”

There are presently (as far as can be determined) about 1,810 billionaires in the world, with an aggregate net worth of about \$6.48 trillion. Thirty-three of these are Canadians.

Super-concentration of wealth is not a new trend. In his meticulously researched *Capital in the Twenty-First Century* (Belknap Press of Harvard University Press, 2014), Thomas Piketty demonstrates conclusively that since the beginning of capitalism, the long-term trend has been that new wealth and income go to those who already have magnetic amounts of wealth and income.

All this concentration and centralization of wealth happens in what we innocently call the globalized “free market”. Of course, all markets, no matter how “free”, have rules, whether written or unwritten. The power question is: Who sets the rules of today’s markets? And the answer increasingly is: global corporations that have the money and political influence to do so.

These global actors, and the individuals who set their goals and plans, are less and less publicly accountable, because governments have ever less control over them. In a phrase made famous during the financial near-collapse of 2008, some of them were said to be “too big to fail.”

The respected economist Robert Reich served in three US federal administrations. In *Saving Capitalism—For the Many, Not the Few* (Vintage Books, 2016) he writes:

“Although global businesses are required to play by the rules of the countries where they do business, the largest global corporations and financial institutions are exerting growing influence over the make-up of these rules, wherever devised. . . . Moneyed interests do not want the curtain of the ‘free market’ lifted because that would expose their influence over the rules of the capitalist game and reveal alliances that could countervail their power.”

It should be clear that I am talking here not about business as such but about power concentrated in huge transnational corporations and financial institutions. In fact, smaller business enterprises today co-exist uneasily with the behemoths which are taking over many locally-oriented enterprises. Within the capitalist mix, there are many business-oriented groups calling for a more transparent, more social form of capitalism. They envision an entrepreneurial horizon which has many goals and values in common with the cooperative movement. *Corporate Knights, A Magazine for Clean Capitalism* is a Canadian publication which researches and names “the hundred most sustainable corporations in the world.”

Money power over democracy

However, money power continues to play a significant role in overwhelming the democratic voting power of ordinary citizens in many countries. This was very evident in the November 2016 US election. Jane Mayer describes how this is happening in her meticulously researched book, *Dark Money – The Hidden History of the Billionaires Behind the Rise of the Radical Right* (Doubleday 2016).

She documents how, under the leadership of the Koch brothers, a group of billionaires set aside almost \$900 million to influence the presidential and congressional elections. They use anonymous donors and avoid public scrutiny by funneling money into a labyrinthine collection of foundations, think tanks, and anonymous political groups – many under the aegis of charitable educational works. Among them are the Cato Institute, the Heritage Foundation and the American Enterprise Institute. They are credited with birthing the Tea Party and moving America to the right in recent decades.

In Canada, we have limits on what individuals, corporations and unions can contribute to political parties or to individual politicians. Nevertheless, conservative think tanks such as the Fraser Institute, the National Citizens Coalition and the Canadian Taxpayers' Federation helped former Prime Minister Harper shift Canada to the right on economic and political issues. It is clear that the power to lobby continues to expand and to infiltrate all levels of government. Funds devoted to lobbying by fossil fuel companies are increasing rapidly at the provincial level.

On many levels, democracy is weakening and inequality is rising, while environmental disaster looms. What kinds of changes could help to restore an effective social passion for the common good?

Redefine “corporation”

The tax system—that beleaguered bastion of inclusive sharing—obviously needs some re-thinking so that the wealthy contribute a fairer share. The legal framework that permits (and sometimes prohibits) corporate commercial activity needs a profound revisioning. It could start with the very definition of corporations, so that they would lose their legal status as “persons” with some of the same legal rights as humans.

A bigger shift would be in understanding who are the real stakeholders in the life and work of any corporation. Shareholders are not the only stakeholders. What about the workers, whose whole lives are engaged with their employer-corporation? What about the local communities whose environment, as well as their current economic viability, has come to depend on the decisions of the largest corporate player in their area?

Robert Reich puts the question this way: Why should the interests of shareholders take precedence over those of employees? In his analysis, the interests of non-shareholding stakeholders (such as workers) were taken more seriously before 1980, but have lost ground since.

What about worker-owned and cooperative enterprises? In a culture of individualism, these “stakeholder enterprises” are hard to sustain. They demand a set of virtues and a kind of attentiveness to the social dimension of our working life and of our financial underpinnings which are difficult to develop in our distracted, consumer-oriented way of life.

There are, of course, good examples of steps in the direction of “stakeholder enterprises”. German steel and coal corporations, for example, have worker members on their Boards. Reich suggests that the legal privileges that come with incorporation (for example, limited liability) should be available only to entities that share their profitability with workers and with the local communities in which they operate.

Close tax loopholes

Corporations pay taxes and to that degree they are already big contributors to the common good. It seems clear, however, that too many loopholes have opened in recent years, and that we need a concerted effort to close some of them.

There is also the problem of tax havens. A November 2016 study by the Nobel Prize-winning economist Joseph Stiglitz and Swiss law professor Mark Pieth states that tax havens “facilitate both money laundering and tax avoidance and evasion, contributing to crime and unacceptably high levels of global wealth inequality.” (*Overcoming the Shadow Economy*, November 2016)

According to the Organization for Economic Cooperation and Development, estimates of offshore tax havens “deprive public coffers of between \$100 billion and \$240 billion (US) each year. Canada’s share has been pegged at \$6 billion to \$7.8 billion annually.” (*Toronto Star* November 15 2016)

Today there are suggestions for new ways of tilting against economic inequality through taxation. Reich suggests that inherited wealth, which present owners have done little to create, could be heavily taxed without creating too much confusion. Thomas Piketty proposes a global tax on wealth. But these suggestions pale before the challenge of a major rebuilding of countervailing power in a re-inspired, more attentive, much more democratic society.

What then must we do? This question—besides being the anguished response of the people to the fiery preaching of John the Baptist (see Luke 3, 10-14)—is the title of an insightful book by Gar Alperovitz, published in 2013. (See *Open Space* Spring 2014.)

Build resilient communities

The key to the strategy proposed by Alperovitz is the patient organization of worker-owned or community-owned institutions committed to sustaining strong local communities. Resilient communities grow their culture from such rooted economic enterprises, he believes. The multiplication of such democratic institutions, at all levels of society, can leaven even big governments and corporations with the yeast of democracy.

Out of this can grow effective political parties seriously committed to democracy and social justice. Such growth could open the way for true systemic change. Gar Alperovitz often collaborates with James Gustav Speth, now a dean at Yale University and formerly a high-level official at the United Nations. The partners have named their visionary effort *The Next System Project*. They intend to search out and to promote, globally, new alternatives to our present economic and political systems. The alternatives will find their footing within civil society as community-based organizations. David Bollier, who is associated with *The Next System Project*, proposes as an overarching approach and goal: the restoration of the commons.

Common wealth

There is now a growing commons movement that would establish “commoning as a transformative social paradigm” to replace “the interconnected pathologies of relentless economic growth, concentrated corporate power, consumerism, unsustainable debt, and

cascading ecological destruction.” Participants in the commons movement—dubbed “commoners”—focus on reclaiming their “common wealth” in both the material and the political sense.

They want to roll back the pervasive privatization and marketization of their shared resources—from land and water to knowledge and urban spaces—and reassert basic participatory control over those resources and community life.

This would include making certain resources inalienable, protecting them from sale on the market and conserving them for future generations. This project—to reverse market “enclosures” and re-invent the commons—seeks to achieve what state regulation has generally failed to achieve: effective control of abusive market behaviour. (See thenextsystem.org/communing-as-a-transformative-social-paradigm/). David Bollier’s development of this “commons approach” is both creative and fascinating. It is at once a paradigm, a discourse, an ethic, and a set of social practices.

Is the commons approach of *The Next System Project* only a dream? Maybe not. Many respected and experienced knowledge workers, and a number of grassroots action groups, are already supporting particular “commons” projects. We can, I believe, include Pope Francis among them. In his *Laudato Si’*, after reviewing the present frightening situation of our “common home”, he suggests several necessary changes to achieve the common good—which remains, as it has always been, the basic principle and goal of Catholic social teaching. And he would also appreciate the patient, gritty process of “commoning”, because it illustrates his enduring conviction that actions in the real world are far more important than beautiful abstract words.

We will reflect further on this “commoning” approach in a future issue of Open Space.