THE GREAT DIVIDE: EXPOSING THE DAVOS CLASS BEHIND GLOBAL ECONOMIC INEQUALITY

NICK BUXTON
TRANSNATIONAL INSTITUTE

Two years after Occupy gave voice to popular anger at growing inequality worldwide, the issue of the 1% versus the 99% continues to top the political agenda. At times, though, this takes a very incongruous form, and no more so than in January 2014 when multi-millionaires gathering at the luxurious ski resort of Davos, Switzerland declared inequality their chief concern. The World Economic Forum (WEF) even seemed to welcome admonishment from the Pope and Oxfam, with Klaus Schwab, the executive chairman, agreeing that, "we have too large a disparity in the world."[1]

But there was one *mea culpa* that those at the WEF were not willing to make: admit that the existence of exclusive meetings and the agenda they coordinate – of the economically rich and politically powerful – is one of the key reasons for this gross division of wealth. Economic inequality is fundamentally a reflection of political inequality: the poor and rich have very different stakes and control of our political systems and the exercise of this power is seen most visibly in who benefits from the global economy.

THE DAVOS CLASS

Davos, perhaps more than any other gathering, epitomises the way political power and global governance have in recent decades been entrenched into a small corporate elite. This elite has succeeded not only in capturing our economy, but also our politics – and increasingly our culture and society, too. Davos is the networking conference par excellence, where economic, political and cultural powerhouses are encouraged to mingle on equal terms. Over cocktails and asparagus mousse, corporate executives can hobnob with prime ministers, renowned academics and the occasional rock star celebrity, and stitch the deals that will keep profits flowing. The most likely Davos twitter status update, as Daniel Gross of the *Daily Beast* accurately satirised, is: "About to go into top-secret meeting with powerful person. Will tell u all about it when I'm back in ny/dc #wef."[2]

Political scientist Susan George has labelled this elite the Davos Class, noting that they are "nomadic, powerful and interchangeable. Some have economic power and usually a considerable personal fortune. Others have administrative and political power, mostly exercised on behalf of those with economic power, who reward them in their own way." She goes onto argue that they are united by a programme "usually called 'neoliberalism', based on freedom for financial innovation, no matter where it may lead, on privatization, deregulation, and unlimited growth; on the supposedly free, self-regulating market and free trade that gave birth to the casino economy."[3]

A 2014 report by Transnational Institute (TNI), entitled State of Power – Exposing the Davos Class, examined how successful neoliberalism has been in enriching economically as well as amplifying the power of this small corporate elite.[4] It revealed how the world's wealth is concentrated even more than is popularly understood, not in the 1% but the 0.001%: 111,000 people control US$16.3 trillion, equivalent to a fifth of the world's GDP. Even in the wake of the economic crisis, the world's millionaires have thrived. In 2012, the wealth of the world's millionaires grew by 11% while household income in the European Union and United States either stagnated or, in some cases, fell.

This economic wealth is matched by growing dominance of transnational corporations in the global economy. Today, 37 of the world's largest economies are corporations. Walmart, Shell, Volkswagen and others have become modern-day empires, bigger economically than Denmark, Israel or Singapore. A historic study by mathematicians in the Zurich

Polytechnic Institute revealed an even greater concentration of economic power when they focused on ownership of these companies. In a study of 43,000 corporations, they found just 147 companies control 40 per cent of the economic value of the entire sample. Most of these are banks, hedge funds or other financial services corporations. Even an advisor to the Deutsche Bank, George Sugihara of the Scripps Institution of Oceanography in La Jolla, California, admitted that, "It's disconcerting to see how connected things really are."[5]

CORPORATE CAPTURE

Corporations have been able to achieve this unprecedented power through a systematic takeover of the state, rather like a virus infects a body. Driven by a profit-making motive embedded in their genetic make-up, corporations have sought at every stage to remove any disadvantageous regulatory barriers and facilitate their cancerous growth. A book published in 2014, *A Quiet Word: Lobbying, Crony Capitalism and Broken Politics* in Britain, chronicles how corporations have become adept at using an array of tactics, from well-resourced media relations work to funding think-tanks and fake grassroots groups, in order to push through government policies beneficial to their bottom line.[6] Corporations are also staffing government, whether by providing contractors and running previously public services or by seconding staff to ministries. The revolving door has become a well-oiled one, with politicians and businessmen changing places regularly.

The infection has been so effective and thorough that it is increasingly difficult to assess who is a public official and who is a corporate leader, given the revolving door between these positions. One example covered in TNI's State of Power report is the European Round Table of Industrialists (ERT), a network of about 50 of Europe's largest corporations, which in the early 1980s decided to work together to shape EU policy and encourage the development of a competitive (read: de-regulated or re-regulated in their favour) 'internal market'.

By 1993, the group had been so successful that one senior ERT official said their proposals and the EU's proposals were almost done in "parallel… we saw their drafts and they saw our drafts. And one of my friends, a very senior official in the Commission, he said to me, there is basically no difference between them." More recently, ERT's demands for 'fiscal consolidation' – in other words, austerity for ordinary people but not for publicly bailed out corporations – have been wholeheartedly applied by European governments and the European Commission, with terrible social costs. After several years of EU austerity packages, Greeks are now on average almost 40% poorer than they were in 2008. There has been a drastic rise in those losing their homes, while one in three children (around 600,000) are now living below the poverty line.[7]

This corporate capture of politics and the social deprivation that often results is taking place in nations worldwide. A study by the Bureau of Investigative Journalism showed, for example, that the financial services sector in the United Kingdom spent UK£93m on lobbying in 2011. This money secured significant policy changes, including slashing UK corporation tax, neutering a pension scheme supposed to benefit millions of low paid temporary workers and killing off a new corporate super-watchdog.[8] There are, of course, no comparable lobbies for citizens who have lost their houses or savings as a result of the financial sectors' reckless decisions that caused the global economic crisis.

CORPORATE-LED GOVERNANCE

The corporatocracy also increasingly seeks to poke its nose into the realms of global governance. One approach taken has been to promote 'multi-stakeholderism': the idea that policy is best developed if you bring together different stakeholders – governments, corporations, citizens. This has been widely embraced by some civil society groups as an effective way of bringing decision-making processes 'closer to the citizen' and therefore making them more democratic, legitimate and accountable. This approach is usually combined with promotion of corporate social responsibility (CSR), the idea that corporations can be driven by factors other than profit and can be social actors that take responsibility for their actions and impacts.

This approach has led to the emergence of hundreds of multi-stakeholder corporate responsibility initiatives, such as the Forest Stewardship Council and the Extractive Industries Transparency Initiative, as well as policy forums such as the World Water Forum and the Global Knowledge Partnership.

Davos has been a very keen advocate for multi-stakeholderism and corporate social responsibility. In 2009, taking advantage of the global crisis, WEF launched the Global Redesign Initiative (GRI), aiming "to stimulate a strategic thought process among all stakeholders about ways in which international institutions and arrangements should be adapted to contemporary challenges." Its final report advocates a stakeholder and corporate responsibility approach in every aspect of public policy.[9] The theme of this year's WEF, 'The Reshaping of the World', clearly builds on this proposal.

GRI's vision rejects intergovernmental agreements, international frameworks and enforceable hard law that would constrain corporations, favouring instead volunteerism, codes of conduct and soft law. In the world of Davos, the tired old slow world of democratic demands channelled through states is replaced by a slicker, fast-moving, corporate-led governance. In fact, GRI argues quite bluntly that "governing today is no longer a matter for government alone… governments' basic 'public functions' have been redefined… hence the challenge is how to re-invent government as a tool for the joint creation of public value." In other words, governments and citizens become just actors amongst many, forced to acquiesce with a process driven by profit-seeking.[10]

A FLAWED RECORD

Advocates promote multi-stakeholder and CSR initiatives saying they have facilitated better transparency and more consultation with affected groups, for example. However, in many cases, multi-stakeholder processes can also end up legitimising exploitation as they stave off regulatory action that might halt or prevent destructive activities in favour of market-based solutions. They also tend to exclude conflictual civil society groups in favour of more consensual ones, which are often better funded, willing to make deals and accept ameliorative change. In either case, civil society is constantly outgunned by corporations in terms of resources, which means that effective monitoring and evaluation of corporate commitments is hard to evaluate and control.[11]

It is worth heeding the warning of Marcos Colchester, reflecting on the history of the Forestry Stewardship Council, which he helped found and eventually resigned from in frustration at its inability to affect high rates of deforestation:

"I think there is a major problem with the model of self-regulation which gives no role to the State, to the rule of law, or even to leverage for reformed governance by government itself. Instead, almost without realizing it, conservationists have replaced the organs of democracy: we now have consumers instead of enfranchised citizens; we have NGOs in watchdog roles to replace the executive; we only have recourse to the media – the 4th Estate – as a court of appeal."[12]

One could of course add that the media itself, dominated by corporations, is not always a great ally either.

Marcos' personal experience of the failings of CSR is starting to be confirmed by data. In 2013, an exhaustive three-year study of more than 5,300 small and medium enterprises and more than 200 large firms based in Europe came to the conclusion that CSR activities "have not made a significant contribution to the achievement of the broader policy goals of the European Union." The researchers argued that the study "raise[s] important challenges to long-accepted beliefs and arguments in favour or defense of the traditional approach to CSR." Yet despite the EU funding the project with €2.7 million, it has been noticeably silent on the implications of the study's conclusions for European policy, which continues to advocate for corporate-led governance and against binding rules.[13]

Neither CSR nor multi-stakeholder initiatives can escape the reality that the political power that economic giants now have unbalances the playing field for any other participants. This is very clearly on show at Davos meetings, which Schwab likes to tout as a theoretical working model for the global governance toward which Davos aspires. In 2014, while some 1,500 business delegates attended, they were joined by only 37 civil society organisation (CSO) leaders (mainly from large civil society organisations) and 10 labour leaders. Moreover, a look at the prominent corporate members of Davos quickly unveils a history of fraud, tax evasion, human rights abuses and environmental degradation, none of which, it seems, disqualifies them from having open access to Davos and governments worldwide.

EXTENDING THE ARCHITECTURE OF IMPUNITY

Rather than curtailing or limiting their power, forums like Davos are the hatching place for new attempts to extend corporate power and prevent increased state regulation. The idea for the North American Free Trade Agreement (NAFTA) between Canada, Mexico and the US germinated at Davos. Twenty years later, even its strongest advocates find it hard to argue that there have been many benefits. For Mexico, its legacy has included one of the lowest economic growth rates on the continent, severe environmental contamination, devastation of the rural economy and soaring levels of violence that have wracked the country. [14]

Unperturbed by the impact of their policies on those they will never see, corporate and political elites were in Davos in 2014 pushing for the conclusion of new trade deals, particularly the Transatlantic Trade and Investment Partnership (TTIP). Worldwide the surge of trade and investment agreements have created what TNI's anti-corporate campaigner Brid Brennan calls an "architecture of impunity" for corporations who use these agreements to sue any government for measures that affect their profits. Brennan argues, "This not only undermines government capacity to control their own resources and development plans, it also prevents any proper regulation of corporations who are allowed to act with impunity."[15] A report by TNI in 2014 unveiled how these trade and investment treaties are wreaking havoc in Europe's crisis countries, where corporate speculators are using investment agreements to sue Cyprus, Greece and Spain alone for at least €1.7 billion for policies the governments took to deal with the crisis. Spain is, as a result, spending millions in 2013 on defending itself in lawsuits; at the same time, it cut health expenditure by 22% and education spending by 18%.[16]

One woman, when asked at the end of the WEF in 2014 what happened to the theme of inequality responded, "It kind of disappeared."[17] For a small elite used to a certain way of living, focusing on lives they will never experience or never even see must be a strain. Relying on the Davos class and their models of governance is no answer to the deepening divide between those with power and wealth and those without. A greater hope lies with civil society and social movements challenging corporate and elite power and deepening democracy at local, national and global levels.

Fortunately, calls for binding obligations on transnational corporations and a rejection of a corporate-led international governance are being heard ever more loudly within civil society. Nationally, campaigns are challenging corporate capture of government with ever more vigour, for example in the US by challenging corporate rights under the constitution. Worldwide, a rapidly growing movement, Stop Corporate Impunity, has won the support of more than 100 international organisations and is advocating for a Peoples' Treaty to regulate and restrict the power of corporations. In September 2013, Ecuador backed by the African Group and a number of other countries echoed this civil society call, at the UN, saying:

"An international legally binding instrument...would clarify the obligations of transnational corporations in the field of human rights, as well as of corporations in relation to States, and provide for the establishment of effective remedies for victims in cases where domestic jurisdiction is clearly unable to prosecute effectively those companies."[18]

At meetings of the UN Human Rights Commission in March 2014, the backlash to this had begun, with states including the UK and US adamantly defending the status quo. The battle against unprecedented corporate and elite power is on, but its success will depend on our movements realising our own power in numbers and turning public awareness and anger into political and policy change. Power to the 99.9% remains a slogan as relevant as ever.

[1]Global elites finally admit income inequality is a problem, Salon.com, 29 January 2014, available at: http://www.salon.com/2014/01/29/the_super_rich_from_their_alpine_resort_inequality_is_a_serious_issue_parnter/.

[2]D Gross, tweet, available at: https://twitter.com/grossdm/status/162443049279029248.

[3]S George, *Whose Crisis, Whose Future?* (Cambridge: Polity Press and John Wiley & Sons, 2010), available at: http://www.tni.org/tnibook/whose-crisis-whose-future

[4]N Buxton (ed.), State of Power – Exposing the Davos Class, Transnational Institute, 2014, available at: http://www.tni.org/briefing/state-power-2014.

[5]A Coghlan and D MacKenzie, Revealed – the capitalist network that runs the world, New Scientist, 24 January 2011, available at: http://www.newscientist.com/article/mg21228354.500-revealed--the-capitalist-network-that-runs-the-world.html.

[6]T Cave and A Rowell, *A Quiet Word: Lobbying, Crony Capitalism and Broken Politics in Britain*, (London: Vintage, 2014).

[7]P Eberhardt and C Olivet, Profiting from Crisis – How corporations and lawyers are scavenging profits from Europe's crisis countries (Transnational Institute/Corporate European Observatory, 2014), available at: http://www.tni.org/profiting-crisis.

[8]Revealed: The £93 million city lobby machine, Bureau of Investigative Journalism, 9 July 2012, available at: http://www.thebureauinvestigates.com/2012/07/09/revealed-the-93m-city-lobby-machine/.

[9]R Samans, K Schwab and M Malloch-Brown (eds), Global Redesign - Strengthening International Cooperation in a More Interdependent World, World Economic Forum, 2010, available at: http://www3.weforum.org/docs/WEF_GRI_StrengtheningInternationalCooperation_Book_2010.pdf.

[10]D Sogge, Not everybody's business: corporate crowding into the tents of global governance, openDemocracy, 23 January 2014, available at: http://www.opendemocracy.net/david-sogge/not-everybody%E2%80%99s-business-corporate-crowding-into-tents-of-global-governance.

[11]C Fauset, What's wrong with Corporate Social Responsibility? Corporate Watch UK, 2006, available at: http://www.corporatewatch.org.uk/?lid=2670.

[12]Speech at the IUCN World Conservation Congress in Durban in 2004, quoted in S Moog, S Böhm and A Spicer, The Limits of Multi-Stakeholder Governance Forums: The Crisis of the Forest Stewardship Council, 2012, available at: https://www.academia.edu/2602980/The_Limits_of_Multi-Stakeholder_Governance_Forums_The_Crisis_of_the_Forest_Stewardship_Council_FSC_.

[13]Impact Project: Executive Summary, CSR Impact, September 2013, available at: http://csr-impact.eu/documents/documents-detail.html?documentid=22.

[14]M Weisbrot, 20 years of regret for Mexico after NAFTA, Guardian, 4 January 2014, available at: http://www.theguardian.com/commentisfree/2014/jan/04/nafta-20-years-mexico-regret.

[15]Personal communication with author, 12 March 2014.

[16]Above fn 7.

[17]Income Inequality was quickly forgotten at Davos, Daily Beast, 26 January 2014, available at: http://www.thedailybeast.com/articles/2014/01/26/income-inequality-was-quickly-forgotten-at-davos.html.

[18]For more information, please see: http://www.business-humanrights.org/Links/Repository/1022442.