28 February, 2024

Neoliberalism Inequality Economy

Is the corporate lobby responsible for inequality?

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Never before has there been such income and wealth inequality as today. Nor has there ever been such an extreme concentration of ownership, nor has the billionaire elite enjoyed so much political power. This is how U.S. Senator Bernie Sanders describes the current situation in his foreword to Oxfam's recently published report Inequality Inc. The data on the concentration of wealth and income is overwhelming, and the most serious thing is that this trend is becoming more pronounced. Meanwhile, the labor situation in most societies is deteriorating with more intense labor regimes, longer working hours, obstacles to unionization, and lagging wages in the face of rising profits.

The power of the corporate lobby

We are faced with economic systems that mostly seek to benefit a small elite of millionaires. And, in this context, a fundamental role is played by the interweaving of large companies with governments and the pressures they exert to formulate public policies that ensure or defend labor regulations that minimize companies' obligations to workers.

The Oxfam report recently presented at the World Economic Forum states: "There are links between the corporate lobby and political restrictions on unionization and opposition to restrictions on forced labor, the fight against minimum wage increases, rollbacks in the regulation of child labor" and reforms that undermine worker's rights".

The consequences of this framework are evident: a notable concentration in the world of big business and the advance of monopolies in the most diverse activities. Even with great vigor, this is happening in economic activities that three or four decades ago were barely in their infancy. For example, three-quarters of global spending on online advertising today goes to Meta, Alphabet, and Amazon, while more than 90% of Internet searches are conducted through Google.

In other industries, this concentration is also progressing. Twenty-five years ago, ten companies controlled 40% of the global seed market, while in 2020 only two companies controlled the same percentage. In the pharmaceutical sector, there are 10 global giants as a result of mergers and acquisitions in the previous two decades. In beer production and marketing, there are also two or three global companies that concentrate production, among which Anheuser-Busch Inbev stands out, with more than five hundred brands such as Budweiser, Becks, Corona, and Stella Artois.

In the agricultural sector, there is also a notable increase in the concentration and centralization of production, adding to the global marketing of agricultural and food products. To this list can be added the notable changes in ownership among large automotive firms, where a small group of companies with a global presence determines the course of the industry, including the transition to electric vehicles. The result is large companies with pricing power, preferential access to financing, and investment decisions based on tax reductions, labor costs, government support, and various trade rules. Once again, economics and politics are linked.

The concentration of the world of finance

The financial world and companies active in banking, insurance, investment funds, and other financial firms are other sectors with notable levels of economic concentration. Indeed, this has facilitated concentration and reorganization processes that reinforce the power of monopolies in the economy as a whole.

For years now, investment funds that manage private resources have stood out in the market, aiming to achieve the highest profit in the shortest possible time. On this basis, they increase their own fortunes, establish rules for many companies, participate in mergers, and reorganize firms to achieve immediate profits.

Together, the big three, BlackRock, State Street, and Vanguard, traded financial assets of approximately 20 trillion dollars in 2022, representing almost a fifth of the total financial assets placed worldwide. According to the Oxfam report, research by Boston Consulting Group suggests that this type of market concentration reduces incentives for companies to compete and, in turn, deepens monopoly power.

Minimal tax contributions

The power of corporate lobby is also expressed in the fiscal behavior of governments. For years there has been a reduction in the relative amount of corporate taxes applied in many countries. This is a sustained trend based on the argument that these measures are necessary to boost investment and thus the growth and welfare of the population.

To date, as widely documented in reports by the main multilateral financial and economic agencies such as the IMF, the World Bank, the WTO, and the OECD, these measures have not generated sustained growth either in the advanced economies or in numerous developing economies, and even less have they succeeded in reducing income and wealth inequality.

In this context, Latin America is facing one of the decades with the lowest GDP growth in a long time. The fact is that many corporations are not satisfied with the decrease in tax rates and carry out creative accounting operations to avoid and in other cases evade taxes, significantly reducing their payments.

In contrast, in recent decades there has been a significant increase in the profits of a large number of big firms that, through share buybacks and dividend distribution terms for shareholders, end up benefiting a small group of millionaires. For example, in the period between July 2022 and June 2023, for every one hundred dollars of profits generated in 96 large companies, 82 dollars were returned to shareholders in the form of share buybacks or dividends, according to the Oxfam report.

The advance of the power of monopolies and big financiers is constant and is not due to the simple action of the markets. The scheme of relations with governments is part of the problem, as is the action of the corporate lobby itself. It is essential to change this reality in order to avoid social fracture and face serious concerns such as climate change. The current levels of inequality are not allowing many economies to perform better and are leading to a significant process of social decomposition.

Given this complex reality, it is worth recalling the words of former President Roosevelt in a message to the U.S. Congress: "the liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself ".

**Translated by Janaína Ruviaro da Silva from the original in Spanish.*

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