

# Rescuing the social function of the economy: systemic challenges

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Discussing Ignacy Sachs leads us to his overall methodological approach: analysis of the long-term structural challenges of society. Ambitious as it may seem, this approach is simply necessary. We are destroying our natural world for the benefit of the one percent, in a society where instead of citizens, we have essentially become amazed and helpless bystanders, or onlookers. I remember we were on a TV interview in Brazil, and the interviewer suggested we were pessimistic. Ignacy retorted with this pearl: “My friend, a pessimist is a well-informed optimist.” And we have all the information we need.

This is not the place to list our dramas. Those who are still not aware of the climate catastrophe, loss of biodiversity, water contamination, oceans acidification and similar dramas, or who do not feel pain and solidarity for so many billions suffering from hunger, preventable diseases, violence and discrimination, probably have entered a kind of self-protecting state of ignorance. *Don't Look up*. Barbara Tuchman calls it “the march of folly”. Thomas Gray had a more poetic approach: “Where ignorance is bliss, 'tis folly to be wise.” The much used “slow-motion catastrophe” expression sums up our challenges. It is not slow anymore. The challenge is glaring: we need a society that is economically viable, but also socially just and environmentally sustainable. And it is vital for humanity.

This systemic approach is essential. Slicing the problems into political, economic, environmental or social issues can be rich in detailed analyses, but keeps us from understanding how the trends are linked, and their overall synergic power. So many of us are justly worried with a fanatic leading the most powerful nation, but this is not just about politics. Robert Reich shows us the supporting economic powers: “I’m referring to America’s billionaires, such as Elon Musk and the 13 other billionaires Trump has installed in his regime, as well as the 744 other billionaires in America, and the 9,850 Americans with at least \$100 million in net worth.” (February 3, 2025) Since the *Citizens United* Supreme Court interpretation of the First Amendment to the American Constitution, in 2010, corporations are allowed to fund elections. “We have the best Congress money can buy”, a much-quoted quip, is ironical, but real. Economic power, political control, attention industry capillarity, all this belongs to a system, along with the invisible hand narrative.

## Systemic change

Peter Phillips, in his *Titans of Capital*, (2024) brings us the overall picture of global governance. “The global richest .05 percent represents 40 million people, including more than 36 million millionaires and 2,600 billionaires, who turn over their excess capital to investment management firms like BlackRock and JP

Morgan Chase. The top ten of these firms together controlled close to \$50 trillion in 2023. These firms are managed by the 117 people identified below. The top ten capital investment companies extensively cross-invest in each other. Cross-investments between the top ten firms amounted to \$320 billion in 2022. Cross-investment practices imply a close monitoring of each other's policies and a commonality of mutual interests in market maintenance and growth. The 117 Titans decide how and where global capital will be invested.”(49) <sup>i</sup>

### **The top ten global capital investment companies - Changes in Assets under Management (AUM) from 2017 to 2022**

Company	AUM in Trillions (2017)	AUM in Trillions (2022)	% Increase
BlackRock (US)	5.4	9.57	77.2
Vanguard Group (US)	2.2	8.1	268
UBS (Switzerland)	2.8	4.38	56.4
Fidelity Investments (US)	2.1	4.5	114.2
State Street (US)	2.4	4.02	67.5
Morgan Stanley (US)	1.3	3.32	155.3
JPMorgan Chase (US)	3.8	2.96	-22.1
Allianz/PIMCO (Germany)	1.4	5.1	264
Capital Group (US)	1.4	2.7	45.4
Totals	26.1	49.45	89.4

Source: Peter Phillips – *Titans of Capital: how concentrated wealth threatens humanity* – The Censored Press, Fair Oaks, Canada, 2024, p. 50

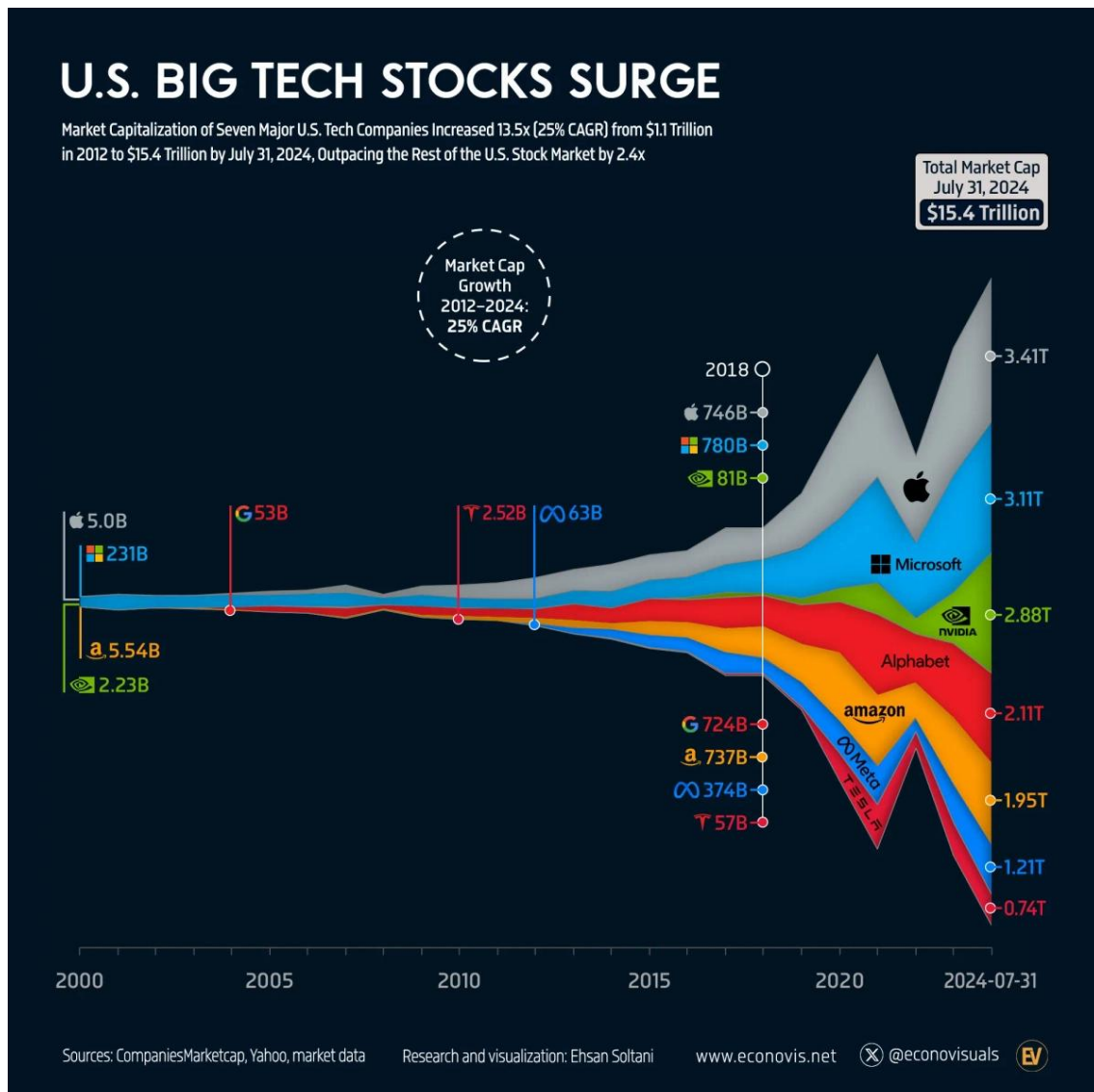
The figure shows that these ten corporations managed \$26.1 trillion in 2017, and \$49.5 trillion in 2022, an 89.4% growth in five years. This gives us not only the dimension of the concentration of economic power, but also the level of acceleration. In focusing on what he calls the *Titans*, the top managers of these 10 top corporate giants, Phillips brings a new approach, but closely converging with the Swiss ETH research on the world corporate control network and the Forbes list of billionaires. We thus have the corporate control and the resulting wealth giants (billionaires), but management is in the hands of 117 directors of the 10 key corporations. “While it can be determined that there are thousands of people with personal holdings equal to or greater than the individual 117 Titans, what makes them significant is their responsibility for investment decisions on close to \$50 trillion”. This is equivalent to half the world GDP in 2022, \$100 trillion.

“Sitting on the boards at the uppermost concentration of capital wealth in the global investment network, their decisions accelerate capital concentration, impact the environment, earn profits from regional and global wars, undermine

democracies, and endanger socioeconomic stability for all.” (51) These are the managers of the global system. Two thirds of them are American. “They were born in the United States or Europe, raised in a wealthy, professional family, and attended an elite private university...They take seriously their fiduciary responsibility to maximize returns on the capital investments under their control.” (109)

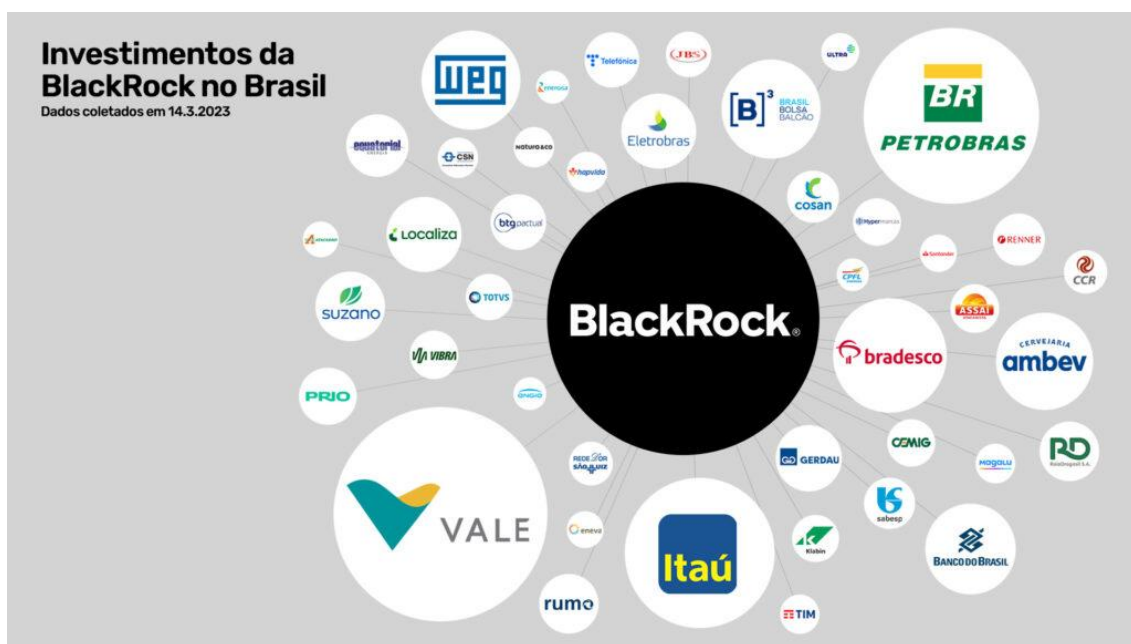
This has little to do with free market competition. Most of these directors simultaneously manage interests in similar corporations among the top ten, and Phillips presents their positions in 133 corporations out of this group. (96) So, for example BlackRock has 17 directors, with AUM (assets under management) of \$9.5 trillion in 2022, and cross-investments in Vanguard, State Street, Capital Group, Fidelity Investments and Morgan Stanley. Just for a reference of proportion, while in 2024 BlackRock directors manage over \$11 trillion, Trump’s federal budget is on the order of \$6 trillion.

Most of these 10 top asset management corporations invest and exert control in another group of giants, the 7 US tech companies: <sup>ii</sup>



With cross-investment, these converging interests of money managers and high-tech corporations that reach down to everyone of us through different areas or intermediation, for purchases or in the attention industry – hours of our daily time – generate a new top-heavy control system, with extremely concentrated power, but also a global capillary network that reaches everyone of us. It controls the three elite policy councils (Council on Foreign Relations, Business Roundtable, Business Council), exerts key influence on the World Economic Forum, participates in the top US intelligence and military institutions and military equipment producing corporations, the top 10 oil and gas corporations, the top 6 coal producers, the top 5 tobacco corporations, plastics, firearms, gambling, including the booming private prisons system. Whatever makes big money. The links between the giant platforms and the intelligence and military institutions are presented by Henry Farrell and Abraham Newman, in *Underground Empire* (2023).<sup>iii</sup>

With online connectivity and virtual money, this corporate power has global capillary outreach. Going down the pyramid, we can see how these BlackRock directors will determine decisions in Brazilian corporate world:<sup>iv</sup>



We can see that BlackRock is in so many areas of the Brazilian economy, but it obviously is present in so many countries. The common denominator in the decision process is short term shareholder profit maximizing. This virtual money can reach, literally, every pocket, and drain. The huge student debt throughout the world reaches so many students, health debt has become a giant problem, particularly in the countries where health services have been privatized, and we all contribute segments of our expenditures in every area, paying through Visa for example, taking Uber or shopping with Amazon. The global inequality has become absurd, as documented in so many reports. The environmental dramas

are just as challenging. This study by Peter Phillips shows the Titans playing a key role in both the processes.

Larry Fink, the BlackRock CEO and billionaire, serves as World Economic Forum trustee, and keeps referring to ESGs and corporate responsibility. Jamie Dimon, chair of the Business Council and CEO of JP Morgan Chase, stresses that “these modernized principles reflect the business community’s unwavering commitment to push for an economy that serves all Americans.” According to Phillips, “the Davos Manifesto provides the Titans with a moral justification for continuing their path of wealth inequality while posturing as sensitive to human rights and environmental concerns.” (113)

The concentration of economic, social and political power on the planetary level have been accelerating in the recent decades, as the technologies advance and power begets more power, allowing more concentration. We are facing a huge money-making power pyramid, devastating the world through inequality and environmental catastrophes, and breaking down any attempt at regulation. The digital economy naturally leads to what is called demand monopoly: I use Facebook, or Microsoft Word, for in this area I have to use what others use.

Globally, the result is a strengthening of the income and wealth concentration at the top, and a dramatic situation at the bottom. The power pyramid has become more and more top-heavy. At the bottom, the size of the human drama this represents defies our intelligence and basic ethics. Overall, linking the billionaires present in the Trump administration, and the global power the US claims, the economic, political, social and environmental catastrophes have come together. We are not only going down the drain, but boosting the process. Drill, baby, drill. Again, this is not pessimism, it is information-based analysis.

Globalization has been presented as foreign trade intensification, open borders. There are many restrictions at this level, and also much interdependence. But the real challenge is that virtual money (roughly 95% of the so-called liquidity) roams the world at the speed of light – so-called *high frequency trading* – while the attention industry reaches every brain, behavioral marketing drains personal information on all of us free of charge. Information manipulation has gone global, but we have no global governance. Through marketing costs, we pay for all of this on the products we buy, price included.

The Bretton Woods institutions date from 1944, eighty years ago. They are presently toothless. We have a globalized world, in the hands of an extremely concentrated global power, while politics, meaning the management of our public interests, is fragmented into 193 UN-members countries, and even often controlled by the global corporations themselves. The link between corporate profit maximization and the common good has been severed. Try to claim “ESG” with the Trump billionaires. It is not only that we have the dramas, it is that we lost governance capacity to prevent them, or even to fix them. The challenge is systemic.

### **Structural challenges**

It is essential that we understand that our challenges are not strictly economic. Our present world GDP, \$115 trillion, for a population of 8 billion, means the world average per capita is \$14 thousand. But for this number to be intuitively significant, it is equivalent to almost 5 thousand dollars per month per four-member family. What we presently produce is amply sufficient for a comfortable and even flourishing life for everyone, without any oppressive egalitarianism. Just reducing the top fortunes by a few percent. For the first time humanity could become really humane. This prosperity is not the result of the invisible hand, but essentially of science and technology. Our problem is not economic, it is a problem of political and social organization.

A second basic fact is that we know what is to be done. The 17 Sustainable Development Goals, with its 17 goals, 169 objectives and the corresponding indicators, are a monumental document, signed by all countries, with the traditional in-out yo-yo concerning the United States, a country which by the way is a champion in treaty disrespect and military intervention. The present estimates are that we will reach only 17% of the 2030 goals.

Third key element, we have the science, technology and information to fix what needs to be fixed. In the present digital revolution age, science and technology have become the main factors of production, and knowledge, once you cover the costs of creating it, can be spread for all humanity without additional costs. Jeremy Rifkin called it *The Zero Marginal Cost Society*. But the power structure we saw above creates this dramatic wealth concentration through control of access, the so-called tollbooth economy, rentierism on intermediation, instead of profit on production.

Brett Christophers presents the details in his *Rentier Capitalism: who owns the economy and who pays for it*. Thomas Piketty, Mariana Mazzucato, Joseph Stiglitz, Jayati Ghosh, Michael Hudson, Marjorie Kelly, Gabriel Zucman, Ellen Brown, Tom Malleson, Kate Raworth, Michael Sandel and so many others brought us a new generation of down-to-earth applied economics analyses, centered on the obvious: reducing poverty and the resulting suffering, and promoting the Global Green New Deal to stop destroying the natural world we live in. And for this, we must invest the financial resources where they are needed. This means, precisely, facing the financialized rentier system presently in control.

The perspectives are bleak. The integral financial flow analysis shows that profit maximization at any cost is not a fault of the system, it is its main characteristic. The world-scale oligopoly in the immaterial economy results from what is called demand-monopoly: with Facebook or Microsoft Word, I have to use what others use, to be connected and to communicate. The algorithms simply maximize, and they reach billions. I have no choice but to use my credit card, and pay what they charge. It is not money I have in my pocket, but a magnetic stripe. In Brazil they typically charge 5% of the value of my purchase on credit card. I have to live with permanent interruptions of what I am doing or reading by the so-called behavioral marketing, and it is tiring. And we pay for it: 98% of Facebook revenue comes



from marketing, costs that are included in the prices we pay for the products. Huge world-scale flows.

The basic issue is that we have all this accumulated culture of economic theories, which could be valid for the traditional industrial capitalism, but are presently meaningless in the face of the new system we are facing, consisting in the digital revolution and the rentierism-based extraction of the social surplus. Michael Hudson correctly names these inherited theories “junk economics”. When the key characteristic of capitalism, the accumulation of capital, is substituted by rent extraction, we have to move our theoretical references, and this is what the authors mentioned above are building. And systemic change, building the political capacity for this change, is what we are facing.

In scientific papers, we are supposed to look beyond the short-term variations. But at the time of writing, in this beginning of 2025, I cannot escape stressing the dangers of this rise of the far-right extremism, and in particular how it dominated such a powerful nation as the United States. Reading the news, the absurd declarations, the dismantling of democracy, I cannot avoid a deep sense of anguish. Angoisse, in French, is more powerful. In the 1980s, I questioned my old father, who in 1933 was a well-informed engineer in Poland, how they felt with the rise of Hitlerism. He told me they hardly believed what they read in the papers, asking themselves what more the Nazis could invent. A similar sense of disbelief invades me nowadays, as if we were going down to dark ages again. So much money, so much technology, so much information, and so much hate and structural ignorance.

I remember meeting Harry Magdoff a few decades ago. He had been very active in the reorganization of the American economy to face WWII. The whole system was reorganized, in a planned manner. It worked. No invisible hand arguments. When challenges become vital, this is what we will have to do, generating a synergic effort to face them. Not the maximization of individual interests, but the convergence of different sectors and organizations to face the key issues. I believe we are nearing such a moment, hoping we can muster it.

*(This updated text has been received on February 6, 2025)*

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<sup>i</sup> Peter Phillips – *Titans of Capital: how concentrated wealth threatens humanity* – The Censored Press, New York, 2024

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<sup>ii</sup> US Big Stocks Surge – *Visual Capitalist* - <https://www.visualcapitalist.com/cp/charted-the-surg-ing-value-of-magnificent-seven-2000-2024/>

<sup>iii</sup> Henry Farrell and Abraham Newman – *Underground Empire: how America weaponized the world economy* – Henry Holt, New York, 2023

<sup>iv</sup> João Peres - *No Brasil, maior gestora de fundos do planeta tem investimento três vezes mais poluidor que na Europa e nos EUA.* – O Joio e o Trigo, 18 de maio de 2024 - <https://ojoioetrigo.com.br/2023/05/no-brasil-maior-gestora-de-fundos-do-planeta-tem-investimento-tres-vezes-mais-poluidor-que-na-europa-e-nos-eua/>