

CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

**“SUPERCLASS: THE GLOBAL
POWER ELITE AND THE WORLD
THEY ARE MAKING”**

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MARK MEDISH: Ladies and gentlemen, let's get started. Welcome this evening to the Carnegie Endowment for International Peace. My name is Mark Medish. I'm a vice president for studies here. We've come together this evening to celebrate the launch of my colleague David Rothkopf's new book titled "Superclass: the Global Power Elite and the World They are Making." The book was just published by Farrar Straus. If you don't have it, please go buy it. (Laughter.) We've made it very easy.

DAVID ROTHKOPF: Thank you very much. (Laughter.)

MR. MEDISH: As many of you know, David Rothkopf is a visiting scholar here at the Carnegie Endowment. He's former deputy undersecretary of Commerce. He served in the Clinton administration. He was managing director of Kissinger and Associates. He is also the founder of the consulting firm Intellibrige. He is the author of a number of best sellers including "Running the World: the Inside Story of the National Security Council" and "The Architects of American Power."

When I first saw the title of David's new book, I assumed it was an autobiography – (laughter) – which I was looking very forward to reading. But, upon reading it, I discovered that it was actually a very serious work of political science and political sociology raising an extremely fascinating set of questions about the shape of power – political and economic power – in the contemporary world. It also happens to be a very entertaining read populated by members of the global superclass, the new power elite, some of whom may well be in this audience or watching on TV. We won't name names here. David might; I won't.

By "superclass," David means the 6,000-or-so folks who wield power on behalf of the other six billion people on the planet. This is a stratum that David sees as more powerful than any national government. He argues that the superclass wields a particular kind of power that is of global agenda setting, as he calls it. The book is a combination, as I said, of political science and political sociology in the great American tradition of C. Wright Mills who published "The Power Elite" in 1956.

Reading David's book, I was reminded of an older line from Thomas Jefferson, who wrote, quote, "I hope we shall crush in its birth the aristocracy of our moneyed corporations which dare already to challenge our government to a trial of strength and bid defiance to the laws of our country." As David Rothkopf reports in "Superclass," contrary to Thomas Jefferson's hopes, the new aristocracy is anything but crushed. On the contrary, it has gone global and it is more powerful than ever, for better or for worse, as David is about to explain.

(Applause.)

DAVID ROTHKOPF: Thank you, Mark. I appreciate that introduction and I will use that autobiography line wherever possible – (laughter) – without attribution, I'm afraid. (Laughter.)

It's a real pleasure to be here. It's a particular pleasure because this book wouldn't be possible without the help and support of the Carnegie Endowment, where I've had the privilege of working for these past number of years as a visiting scholar, where I've had the support of people like Elly Page, who's been the research director on this, who's done a fabulous job and is probably responsible for everything that's interesting in the book and for toning down my tendentiousness.

And, you know, this is just a great place and a great institution and a great kind of artifact of the way a superclass worked once upon a time when Andrew Carnegie decided to take 90 percent of his earnings in his lifetime and put them into assets that could do good for society, which was an unusual position, one that has seldom been repeated. But, you know, it benefits all of us here today.

I'll talk for a few minutes and then perhaps we can have some questions and some answers and we'll get you all out of here by 7:00 or before that because I don't think all of the food was eaten – (laughter) – and it's a rule here at Carnegie that you clean your plates. (Laughter.) Or it was a rule with my mother. It's either Carnegie or my mother. I'm not sure. (Laughter.)

But, you know, the origins of the book and the origins of the idea came when I was going around and I had done a tour with my last book, "Running the World," which was a look at how foreign policy was made. And I got a phone call from a publisher in New York that said, you know, we liked your last book and we'd like you to do another book. And, you know, I've been trained in circumstances like this to think quickly since it's highly unlikely anybody is going to make another offer like that. (Laughter.) I thought that it was, you know, that I really ought to move quickly and try to come up with an answer.

And I was thinking back on the fact that I had probably given 50 or 60 speeches on the other book and whenever I gave a speech on "Running the World," somebody would stand up in the audience and say, that's the trouble with you Americans; you think you're running the world. And I would look at them aghast because, apparently, my subtle irony was lost in the title. And this taught me an important lesson and so there's no irony whatsoever in this title – (laughter) – although I try to weave some of it into the book.

But – so that was part of the genesis. Part of it was the fact that when I was a student at Columbia University back when dinosaurs roamed the Earth, they had a core curriculum. And one of the things in the core curriculum was C. Wright Mills' book "The Power Elite." And "The Power Elite" looked at how power and the most powerful people interacted in the United States during the '50s. In fact, it just came out of – 51 years ago now, just about half a century ago. And it looked at how political leadership and business leadership and military leadership interacted at just the moment of American post-war ascendancy, at just the moment when we were starting to have concerns that would lead a couple of years later to Dwight Eisenhower identifying the threat associated with the military-industrial complex.

And I thought, you know, it would be interesting to look to see whether such an elite has emerged for the global era, and that, in fact, it was my sense that one had, and that by looking at this group, looking at this superclass, if you will, we would be able to see how

globalization might evolve because no group is more globalized. And no group is having a greater influence on the nature of globalization than the most empowered people on the Earth.

And so that's what led me into this. Now, you know, I think, on some level, the publisher thought that, you know, we would have a good audience among the conspiracy theorists out there – and there are plenty of conspiracy theorists. And I don't want to turn them away from this book – (laughter) – but just between you and me, it's not really a book for conspiracy theorists. You know, I mean, all of us have had our brushes with conspiracy theory. I grew up, Jewish boy in New Jersey, hearing about the world Jewish conspiracy, and I thought, great. (Laughter.) You know, where do I sign up? (Laughter.) There are not many Jews and, you know, conceivably I could have a significant role – (laughter) – nothing flashy, but, you know, Canada maybe or – (laughter) – world sorghum prices or something like that. (Laughter.)

You know, when you examine conspiracy theories, including that one, they break down pretty quickly. I mean, if the Jews really were running the world, we certainly could have done a better job. (Laughter.) You know, broadly speaking or certainly with regard – I mean, the Holocaust, the Inquisition – (laughter) – the musical stylings of Barry Manilow – (laughter) – you know what I'm saying. I mean, there are things that we could have done better. But, you know, if you look at Free Masons or you look at Skull and Bones, you know, you look at these various groups, they break down. You know, I mean, how can you have an academic secret society that George Bush is a member of? (Laughter.)

You know, it says something about the academic nature – (laughter) – in any event, of the secret society. But I think that if you go beyond these theories, there really is something to be learned. And so, what we decided to do was to come up with a benchmarking exercise, you know, a kind of a what's a definition of membership in this? And we're not looking at just the wealthy; we're looking at power. And so, the definition that we used was people who influence the lives of millions across borders on a regular basis.

Now, we came up with six, 7,000 people that we could look at. And we actually made a list and did a sort of demographic analysis of them and so forth. You might come up with 60,000. I don't want to debate about the size of the group. It's a tiny, tiny fraction of the people of the planet Earth, 6600; we came up with what happens to be one in a million. That means one member of this group for every million people that there are on the Earth.

But when you get a group small enough like that, you can start seeing things about the group that are eye-opening that, you know, for instance, 94 percent of the group are men. The single most underrepresented group in the global power structure, to this day, is women. If you look at legislatures around the world, the average participation of women in legislatures is 17 percent. It's worse here and in some other places. But in other forms of power, it's worse still than that. I think of the Fortune 500, there are 13 women right now who are CEOs. So that's one of the things that you might pick up from it.

Right now, it's a very transatlantic group; 61 percent of it is from one side of the Atlantic or the other. But by far the most rapidly growing component of the group are

people on the Asian side of the Pacific Ocean and that the center of gravity within the superclass is following the center of economic gravity on the planet. So understanding how this group influences things will help us understand what the implications of a change like that might be.

And, you know, there are other interesting things about the group, too, as you look at it: first of all, it's an older group. The average age, I think, is 58 years; primarily white guys, primarily people who are running businesses or financial organizations; used to be much – if you looked at elites in the past, they were much more from the public sector. If you look at the most powerful people in the world today, it is increasingly part of the private sector. And we can go further and further.

One of the interesting things about it is that we looked at where they were educated and, of the members of this group, something like a third, 30 percent, came from one of 20 universities in the world. Now, that's kind of striking when you consider that this is 6600 people from 180 countries around the world and most of, you know, a fairly substantial portion of them, a third roughly, have gone to just one of 20 schools. And I think if we made it one of 40 schools, we probably could have gotten it up to half.

So what does that say besides, you know, can I get my kid into that school? (Laughter.) You know, another thing that it says is that this is where networks start to be built. And one of the really defining characteristics of this group is the nature of the networks, that networking is the force multiplier in any kind of power structure because it gives you access, whether it's an access to do a deal, an access to get insight into what's going on inside a government.

And I would go out and I'd talk to people; I talked to 150 people in doing this book. And time after time after time, when I talked to people sort of within the heart of this superclass, one of the first things they said is, small world. And, you know, the small-world phenomenon came up over and over: I can get to anybody with a phone call; I can get to anybody with two phone calls. I can use that as insight that I can trade upon or insight – or connections that I can use from the point of view of influence and so forth. And so that is another thing that one can pick up from studying a group like this.

Some dimensions of this are striking in that they really force us to step away from our preconceptions. All of us have been raised in sort of thinking in terms of, well, the Treaty of Westphalia. I know most of you right now, I can look at you and see that you're thinking of the Treaty of Westphalia. (Laughter.) It almost never leaves the forefront of my mind. But the notion that there was this treaty 400 years ago and we started from then on thinking of the way the world is organized in terms of chunks of political entities known as nation-states.

But the role of those nation-states in this particular era has been changed fairly dramatically. And this – I mean, people have been noting this for some time. Jessica Matthews wrote a paper over a decade ago called "Power Shift," which was a very important early acknowledgement of what was happening here. But that power shift has taken place in ways that are really, really interesting and I think haven't been taken into consideration by policymakers in a lot of respects.

On the one hand, the concentration of power in the hands of fewer and fewer people has grown and grown and grown. In the '50s, when C. Wright Mills wrote that book, the defense budget of the United States was larger than the annual sales of the largest companies in the United States added up together. Today, the defense budget is 50-percent smaller than the annual sales of Exxon and Wal-Mart, the two largest companies. So the size of companies is much greater.

In the '60s, the average international corporation had 100 subsidiaries. Today, the average international corporations have 10,000 subsidiaries. If you take the biggest companies, a company like Exxon has annual sales that make it roughly the same size of an economic entity as, say, Sweden, which has a – the 19th largest GDP in the world. Now, I know the difference between sales and GDP; this is just a thumbnail sketch of relative power. But here you have a phenomenon where the top 250 companies in the world produce sales that are the equivalent of one-third of global GDP, where the top 2,000 companies in the world have 70 million employees. They probably have half a billion dependents associated with those employees. And if you add in their suppliers and distributors, it certainly gets you to a billion people.

That's 2,000 CEOs and boards making decisions directly impacting the lives of a billion people. On a planet where, of the six billion people on the planet, four billion of them have fairly lousy jobs, fairly lousy earning potential, the bottom three billion living on less than \$2 a day. So there are only a couple of billion people on the planet that are particularly well employed. And half of them work for those 2,000 largest companies.

Well, you know, when you look at the concentration of power, then you say, well, who has influence within that group? Well, the most influential people are the people at the top of the pyramid. It's different company by company, but how do they get paid? I mean, that's one of the things that's got in – they get paid by their stock price. Well, what influences their stock price? Well, estimates say that hedge funds alone, because they trade so much, represent 30 to 50 percent of trading in markets on a daily basis. And of 10,000 hedge funds, the top 300 control 85 percent of the assets. The top 100 control 60 percent of the assets. So very, very few financial institutions play a very, very influential role in determining stock prices, which determine the fate of the CEOs and the people who are leading these companies.

Power is concentrated in other ways within these organizations as well. If you take the five largest companies in the world, the CEOs and the boards of those companies, 70 people, are on the boards of another 150 companies including a third of the 500 largest companies in the world and almost 25 different universities. So that – the little network at the top of the five largest companies who have, you know, annual sales of about \$1.5 trillion reaches out and touches an enormous portion of the other leading companies which touch an enormous portion of the rest of the world.

Now, that's interesting. I mean, there is a prurient value to this. And a lot of the times I go out and give a talk on this, people are like, well, is there a list? And am I on the list? (Laughter.) And how much money – and I loved it, by the way, walking in here downstairs and seeing the sign that says, "Superclass sign-in." (Laughter.) And if you signed

in down there, in the paperback edition, you'll see your name. (Laughter.) Of course, you know, coming from the kind of neurotic background that I do, I was like, well, where do I sign in? But, you know, it's just there are separate lists for people who aren't in the superclass. (Laughter.)

But there is this kind of prurient value to sort of thinking about big numbers and big amounts of power and so forth, but, of course, it goes well beyond that because companies, just as an example, are built to operate on a global basis. Exxon has operations in 180 countries. Sweden, comparable-sized country, has embassies in 80 countries. Sweden can vote for the Kyoto accords; Exxon can kill the Kyoto accords. So that is a form of power in and of itself.

But another form of power comes from the fact that, you know, countries are a little bit like pets who live in a house with an invisible fence, you know, the one that tortures your dog when it goes off the property. And, you know, national power is like that. You know, it can't go off its property; it's bound to the ground. And we have seen in time after time after time, as transnational issues have emerged, countries aren't in a particularly good place to manage them.

And the recent financial crisis is a perfect example of this where – I was talking to Tim Geithner while I was doing the book, who's the president of the New York Fed and he says, you know, when he has a crisis, what does he do? He calls up the heads of the 14 largest financial institutions and he gets them together in a room and he tries to work out some kind of a deal with them. And, in fact, the head of the sort of the most influential of those, which is Lloyd Blankfein at Goldman Sachs refers to the group as the 14 families – (laughter) – which is an echo of the Godfather. I mean, it's a humorous one, I might add – (laughter) – but – well, that's efficient.

And many people might say, that's great; that's a way that the market – you know, that's the way the market can work, but each one of the people who run those companies is legally obligated to advance the interests of the shareholders of that company, not the interests of the public at large. And their participation in that collaborative endeavor is voluntary; it's not mandated.

And that is a gap, and now we have seen a consequence of that gap over the course of the past couple of weeks as a major area of economic activity has turned out to be beyond the reach of regulators. And the governance mechanisms that we have to manage it have proven to be inadequate to the problem. And my sense is that we are just seeing the tip of the iceberg on that. Even just in financial markets alone, we are seeing the tip of the iceberg on that because there is \$30 trillion in derivatives out there where people don't know the risks associated with it. They don't know who the counterparties are that aren't regulated in any way and where disruptions can occur.

And in area after area after area where there are transnational issues, the fact that we have, you know, governance problems are a big issue. I think we have two kinds of international institutions: weak and dysfunctional. Now, some of them are weak and dysfunctional. But most of them are either weak or dysfunctional. Now, one of the reasons is because a lot of them use structures that date back to the Second World War. How do

you have a Security Council that reflects the state of geopolitical reality of 1946? How do you have one without China or India or Brazil? How do you have a G8 meeting where you are going to go and coordinate the global economy and Italy is at the table, and China is not at the table? I mean, this is absurd, and yet, there must be a reason for it. And the reason for it is that we are comfortable with it.

If you run for office in any country in the world and you say I want to cede a little sovereignty to a multilateral organization, you are hurled into a pit of lions, you know, if you are lucky. Otherwise it can be a much worse fate. And ceding sovereignty to multilateral organizations is how it is characterized. Now, I don't think of it that way. I think that when you have multilateral organizations, you are actually extending your sovereignty into those organizations in order to get some influence over global activities. But that is not the view of the public at-large, and that has resulted in the atrophy of these organizations or their lack of flowering. And that has created the gaps, and into the gaps have come informal groups of the most powerful to advance their interests.

Now, I do not think for one moment that the 6,000 people that I am talking about get together at Davos in a room and plan exactly how things are going to come out in the year ahead or that they conspire. They are all too self-interested. They are all too self-absorbed. And Davos is way too boring for that kind of activity. But there are a couple of ways that they can extend their power. One of them is when their interests align, when their self-interests align. So if a substantial number of people in this group say market, market, market, let's leave it to the markets. Let's not put government in the way. It does have a disproportionate influence because they are more influential than other people.

And another way is that they have got this kind of agenda-setting power. You know, I have gone to Davos for a number of years, and I have come back and people say, well, you know, tell me what happens at Davos. And I say, well, this is the factory where conventional wisdom is manufactured. And people go into these meetings, CEOs and senior government officials and so forth and they say, so what is the headline? Which way is the wind blowing and that kind of thing. And it seems very casual. But clearly in any society or subset of society, the passing around of ideas and the arrival at shared conclusions among a group of superpowerful people has consequences for everybody else. And so that, that agenda-setting power is an extremely important area. And it is not as sexy, you know. I mean, I don't think you are going to see a new movie with Tom Hanks, like the conspiracy theories movies that he has been doing called "Attack of the Agenda Setters." But agenda setting is really potent, and it is a way to amplify the power of these groups.

But as you see the nature of power change, and that is one of the other things we talk about the book, the agenda setting also becomes relevant in a different context because right now this is a transatlantic group and it has heavily transatlantic values. Two-thirds of the members of the group are transatlantic. But by far, the fastest growing membership in the group is Asia. So if you look at the Forbes' billionaires list just as a subset of a subset of a subset, the three countries producing the most billionaires last year were Russia, China, and India. By one measure, China went from six billionaires to 106 billionaires in the course of a year. Now, some of that is market fluctuation, but the reality is that power is very rapidly shifting over there.

Well, what happens if the group becomes more Asian in its attitudes? Is that a good thing because that redresses an imbalance because there are more people there? In some sense, it is. But if it is values-neutral, if it is so long as we do business country to country, I don't care what you do in your country and you don't care what I do in my country. If that is a shift in the conventional wisdom of the leadership of the world, is that something that has consequences for us? I think it does.

And so there are a number of things we talked about in the book – when we get the question and answers, I am happy to talk about other elements of them – where the nature of power is shifting. It was once tied to the land. It is now much more transient and tied to institutions. Over 90 percent of the people we looked at get a large portion of their power from some institutional affiliation as opposed to say, a family affiliation, historical affiliation. So it is much more transient. As I said before, it is much more associated with the private sector than it was because the public sector is restricted in the global sphere. And it is not just restricted in the area of finance. I mean, look at the area of climate change or look at the area of proliferation of weapons of mass destruction or look at migration issues or look at disease issues. It is restricted. And we are sort of – we are kind of improvising to deal with these things.

Now, one of the trends that has been important in the context of this group where we have been improvising is the rise of philanthropy. And I will admit how can you be against philanthropy? Right, I mean, philanthropy is a good thing, and it is great that Bill Gates and Warren Buffet are emulating what Andrew Carnegie did in terms of giving their money. We can't object to that. But the Gates Foundation puts as much money on the ground to deal with disease worldwide as the World Health Organization does. And on the one hand, you have to ask yourself, is that healthy? It is certainly not bad. But is it healthy? Because Bill Gates is not answering to a large group of other people, he is not representative. And leaving these decisions to groups that don't derive their legitimacy from the consent of the governed, which is the formulation that we have adopted for the past 4 or 500 years to measure the legitimacy of a governance approach. That is a potential problem. It is also gives governments an excuse not to do what they ought to be doing themselves.

And so one of the things that this raises – and I will wrap this up here – but one of the things that this raises is that we face, in looking at this group, our future. On the one hand, we see very few people who are much more globalized. And that is clearly the way the world is heading. But we also see a governance gap because the informal collaboration of people in this group have assumed the role that has been played by formal structures in the past. The other thing that we see – and we can talk about this more, too, when we get into the questions, if you like – is that the system that has been advocated by this group, particularly over the past 30 years, which is essentially the market-market formulation. You know, you could call it Reagan-Thatcherism or you could call it Volcker-Greenspanism as some wag put it. You know, you could call it Friedman-Friedmanism for Milton and Tom. Tom, by the way, was going to be with us today, but he had a death in his family, and unfortunately he could not join us.

But you do see a trend in the conventional wisdom that leaving it to the markets is a good idea. But what has the result been? The result has been a profound transformation in the nature of inequality in the world. One hundred years ago, the richest countries were 9

times richer than the poorest. Now they are over 100 times richer than the poorest. Thirty years ago, the very richest country in the world was something like 88 times richer than the poorest. That was the United States and Bangladesh. Today the richest country in the world, which is per capita, Luxembourg, is three times richer than the poorest country in the world today. And the benefits of the growth have accrued largely to very, very few people. Of the income gains in the United States in the past decade, about 1 percent have gone to the bottom 90 percent of society, and the people in the top one-one-hundredth of a percent of society have gained 112 percent. Eighty-five percent of the wealth of the world is controlled by the top 10 percent of the people in the world. Forty percent of the wealth of the world and of the United States is controlled by the top 1 percent of the people in the world. The 1100 billionaires on the planet earth have a net worth that is equivalent to almost twice that of the bottom 2.5 billion people on the planet earth.

Now, I gave a talk on this this morning. And somebody said, but the bottom is rising. And yes, the bottom is rising. But the top is rising faster. Now, you have to say, are you comfortable with this? And everybody can come to their own conclusions, but from a purely political analysis point of view, relative gaps in wealth have consequences in terms of tension and in terms of potential instability. And the history of elites – and I deal with that also in the book – is a history of overreaching and backlash. And typically another elite rises up and says I represent the people and comes and takes the power. The people never get it. But we are at a new point because that has always happened in the context of city-states or nation-states or empires. There were legal constraints that could be thrown over the robber barons of the late 19th century through trustbusters and the laws that were passed back then. They don't exist in the global context. There aren't legal constraints that can counterbalance.

I am not saying markets are bad. I am a pro-markets guy. I am one of the last five pro-trade Democrats in the United States. (Laughter.) But we need balance. And it is not either or. And right now the needle is pointing too much in one direction, and it is largely pointing in that direction because extremely influential forces have pointed it in that direction. And we are now starting to be able to tally the consequences. And the consequences aren't good for most of the other people on the planet, and particularly for people like you who are in the elite. Some of you are members of the superclass. If you buy a couple of books out there, I can guarantee you will be members – (laughter) – in the next edition of the superclass. But it is very easy to say things are working fine. But how good is fine? And what is tolerable? And is it a sufficient deal to offer to the people on the other side of the planet, who if they were born with your DNA and your capabilities would still have no chance of success because the system is closed still for all the openness in it, still closed to very, very substantial portions of population on earth, where half the people have still yet to hear a dial tone.

And we have to say, how do we adjust for that? And does it suggest that in the global era there will be backlash and there will be developments that are likely to result in a change away from this Westphalian view, a change toward a new way of looking at governance. I don't think it is going to be hierarchic. I think it is going to be all sorts of layers of different kinds of governance mechanisms. But is that going to be a defining change of our time? And what is the shape that that is going to take? And what is the price that we are going to pay in terms of the backlash that is going to be required to produce the

step forward that will be involved in actually creating global governance mechanisms where we all welcome the kind of teeth that those mechanisms need in order to be effective.

And I am hopeful because I think we live in the best time in the history of the world and that progress has worked to our benefit and as a wind at our backs, I am hopeful. And I look at things like climate change and I say, perhaps that will redefine everything because climate change is unique as the challenges that we face as a people are. It is kind of like you may remember Ronald Reagan once said – made the remark that if you really wanted to get everybody on the planet on the same page, announce that there was a space invasion coming, and we would find a common enemy in the aliens, and we would be able to get together. Well, I think to some extent we may be seeing that with climate change. And it is one of those issues where you can't have an alliance of the willing. You need to have an alliance of everybody. And you need to have institutions that work for everybody. And so maybe that will be the catalyst. There may be other kinds of catalysts.

But I do know that time is running out, not just to deal with issues like climate change, but on my remarks. (Laughter.) So what I am going to do is I'm going to conclude here, and we will go, and we will take some questions.

(Applause.)

MR. MEDISH: David, thank you so much for that very stimulating summary of your book. First of all, I do want to commend you for all of the painstaking field research you have done. We could all feel that you have really gone to some hardship places, particularly at Davos, pursuing this creature.

MR. ROTHKOPF: There was a moment, you know, in a G5, 35,000 above the world, as I was being served scones and clotted cream that I thought somebody has got to assume this role. (Laughter.) And I stepped up.

MR. MEDISH: Well done. Well done. Well, let me exercise the privilege of asking the first question or two just to get our conversation started, and then we will open things up. I wanted to ask you – I find your thesis very compelling and sympathetic as people might say. But I wanted to ask you about an aspect of it that also might appear to many readers counterintuitive and even countertrend. You focus on this narrow, small band of brothers mostly – not too many sisters, right? – of the new power elite. You emphasize that the concentration of power has grown enormously, inequality has grown enormously. “Superclass” in many ways is the “Devil Wears Prada” of political science, right? The people at 41,000 feet determining what everyone else will wear.

But there is another thesis out there that is very prominent and perhaps compelling, and that is the thesis that really the story of the day is the decentralization of power, after the Cold War that the headline really was beyond superpowers, that power in the world is much more broadly shared across nations today, emerging markets. You do pick up on this trend. But also people power, right? And the power of technology, the power of the Internet. Some might even argue that we are witnessing it today in the United States in a very powerful way in the political campaigns. In the Obama campaign in particular, many people have written about that as a new dawning of mass power, of people power. And I am just

wondering where you really come down between those two theses. And it goes to your end point, which is are you an optimist or a pessimist, I think. Can you tell us a bit more about that?

MR. ROTHKOPF: Well, I am from – first of all, that old policy tradition here, I think, of realists. And what I am trying to do is I am trying to look objectively at what is really happening. And I think that there are democratizing forces out there. The Internet has been a democratizing force. Some of the people who are members of the superclass in the sense of having developed a lot of influence are people who have learned how to use those tools to harness people. But there is an impulse to concentrate power even in those cases. And if you look, the Internet is democratizing. But if you take AOL, Yahoo, Google, and MySpace, 96 percent of people who go onto the Internet go onto the Internet via one of those organizations, all of which are giant corporations controlled by a handful of people.

I think we can open our minds wide enough to say that there are democratizing forces out there at the same time as market forces are concentrating more wealth and power and control in the hands of a few. I might add though that there are also other forces out there that relate to this decentralization. One of which, I think, is the decline of nation-states, which we have used as kind of the central metric. And we say decentralization, but we really mean our old model is changing, and so this is part of it. If you could have 106 companies that have annual sales of \$50 billion a year, but only 60 countries that have GDP of \$50 billion a year, that is something. Exxon's profits last year were larger than the GDP of Yemen and Bahrain added up. So that is part of the decentralization of power.

There are also shadow elites that we look at in the context of the book, you know, al Qaeda kind of organizations that are able to use networking and modern technology to project force in a way that once only countries could do it. So these aren't mutually exclusive. And I am not arguing that there is one kind of power, there is another kind of power. What I am really trying to do is to say what is the nature of it today? And how is it evolving?

MR. MEDISH: And how should the rest of the world respond, I guess is the next question. This is the sort of if you can't beat them, join them question. Reading your book, I felt, again, very persuaded by the analysis, but then I wondered whether I wanted to join the superclass or overthrow it. (Laughter.) What is the model of response here do you think for contemporary man and woman, for citizens of the world? What do we do?

MR. ROTHKOPF: Well, I think, look, everybody's response is both, please. I'd like to overthrow them and then replace them. (Laughter.)

MR. MEDISH: Groucho Marx response.

MR. ROTHKOPF: Well, the Groucho Marx response. (Laughter.) I think in the book I use the Woody Allen response, which is that wealth is better than poverty if only for financial reasons. (Laughter.) But I think it is a case-by-case thing because I don't think you are going to get monolithic world government. And in many case – you know, I don't think you want to dissuade the Gates Foundation from doing what it is doing.

We've always had elites; we will always have elites. Elites do a lot of good. Leaders in society, they're – you know, I mean, you know, I could understand why the PGA would want to get rid of Tiger Woods, but there is always another Tiger Woods or Roger Federer or somebody in every profession. So, you know, there will always be groups like that and I think we have to sort of figure out how do we harness what's best, and that involves a lot of market incentives and it involves keeping a lot of those things in place. The question is how do we adjust the system, how do we fine-tune the system so that the people who are doing the fine-tuning aren't populist nationalists who are trying to lead it in another direction. You know, it's a choice between us doing the fine-tuning or Hugo Chavez and Mahmoud Ahmadinejad or Vladimir Putin doing the fine-tuning in a way that I think would be less comfortable for everybody.

And I think, you know, in many countries in the world we've gone from a debate which on the one hand was capitalism and the other hand was communism, to a debate where on the one hand there's globalization or globalism or internationalism and the other hand is nationalism. And there's a real tension even in this country today and it's produced, I think, a lot of damage. And also, the greatest metaphor ever in history, which is this wall, you know; nothing could be a better metaphor for people trying to push away globalization than a 700-mile wall on a 3,000-mile border. (Laughter.) I mean, you talk about, you know, an illustration of futility in action, you know.

My sense is – you know, it's bad arithmetic – (chuckles) – my sense is that, you know, we don't get to vote on globalization. Globalization is a historical trend. Okay, it's like, you know, they didn't have a referendum in 1806 on the Industrial Revolution; it was coming and you either get with the program or you don't. You can influence its course but you can't undo it, and that's the situation here. And I think we need to influence its course.

Now, personally, I don't believe that the only metric for the success of a society is the creation of wealth. I think that justice plays an important role in the metric for the kind of society that I would like to see evolve in the world. And so I think we, as average citizens, need to say, are we producing a system that is just enabling the advantage to produce more and more wealth, or are we going to create a system where there's more mobility; or are we going to be satisfied with what we've got or are we going to find new ways to address these issues. And I think complacency is something that we embrace at our own risk because what'll happen is the populists, the nationalists, the anti-globalists, the simplistic will, you know, start with the re-nationalization of industry and a whole host of other kinds of things that are proven not only not to work, but that are to the disadvantage of global people everywhere.

MR. MEDISH: Neither Luddite nor lemming.

MR. ROTHKOPF: Neither Luddite nor lemming. It says that on our coat-of-arms, actually.

(Laughter.)

MR. MEDISH: Why don't we open it up, Adam? If you'd please identify yourself.

Q: I'm Paula Stern. And congratulations, David, and it was a wonderful, entertaining presentation. And I understand that you're a realist and what you're looking for, possibly, is some fine-tuning to get more justice into the system. That's kind of my takeaway from what you were saying, from a normative point of view.

Well, I would like to approach the idea of not just fine-tuning but finer-tuning, and think about that change in the gender, and would that make a difference if we had a more reflective 50-50 or just better than the 6 percent of the women who seem to be participating in your group of 6,000. Would that, you feel, possibly, help advance towards a greater consideration of justice as well as wealth?

MR. ROTHKOPF: Well, look. As you know, I live in a house where males represent only 25 percent of the electorate and a much smaller percentage of the influence. So, you know, there's no way for me to answer this question except to say, yes, that it would make a huge – (laughter) – it would make a huge positive difference.

Having said that, I do want to point one other aspect out which, you know, has sort of been in the papers recently. It's not exactly countervailing but it's just a parallel illustration. And it goes to the point that inequality is not merely about wealth. If you are, as you are, an affluent white woman, you live 14 years longer than a poor black man does in the world, and an affluent American lives six years longer than a poor American does. So we're not just making choices about what's in a pay packet, we're making choices about how much life we even have.

But, you know, all joking aside, the world is always a better place if the mechanisms of power represent those who are being governed more accurately. And the world is going to be severely out of whack until the people who represent the majority of the population, women, 51 percent of the population of the planet, actually have that kind of influence over the mechanisms of government, for two reasons. One, it's more representative and thus healthier; and two, I'd like everybody to have a little taste of what it feels like to live in my house. (Laughter.)

MR. MEDISH: In the back.

Q: Hi, David. David Sandler (ph). Congratulations.

MR. ROTHKOPF: Thank you, David.

Q: Two questions: First, are there NGO leaders in the superclass, in your view, and if so, what does it take for an NGO leader to get there? And second, how much of the superclass is there because of oil?

MR. ROTHKOPF: Well, first of all, you know, there are NGO leaders that meet the definition. I mean, everybody can make their own superclass list. I mean, you want to use my criteria which is the ability to, you know, influence millions of lives across borders on a regular basis, you know, you can ask who does that and you know, I mean, does Bono, does Angelina, does Brad. Do Brad and Angelina together? And you know, the answer in those cases is, you know, probably yes. And certainly a lot of the big environmental NGOs,

the Gates Foundation; there are a whole host of NGOs that clearly, clearly make a global difference affecting millions of people on a regular basis across borders. And so yes, they make it into the list.

Oil plays a very big role in this. There are many – you know, I mean, certainly leading oil companies both private and also the nationally owned oil companies all have, you know, their leadership involved in this, both because of their economic clout, also because of their political influence in many of the countries in which they operate because of their impact on people’s lives through the environment and so forth. And I think at one point, you know, in the book, you know, I do say that I think oil is the most dangerous mind-altering substance known to man. And you know, I think that we’ve seen plenty of examples of that politically that we are now having to clean up as a result of the exercise of that influence in ways that has been detrimental, hopefully not irreversibly detrimental to the environment.

Q: Great book. Hilda Atroa (ph), great book David, thank you.

I have a suggestion for the next book, which – (laughter) – which should have as sexy a title as this one, but instead of “Superclass” it should be called “Misbehavior” or “Misbehaving” because what is critical here is not necessarily the concentration of wealth or power. It is an oversimplified, oversimplistic assumption to think that the concentration of power takes you to the – to best behaving because it does corrupt absolutely. The fact is that when you go through the list I was quickly putting A’s and C’s on those who are misbehaving and those who are not misbehaving, and then went to the underclass and found even a longer list of people who were misbehaving relative to those who were not.

So is the world not – do we not have to go to Paula’s question to be more nuanced in corrective action if corrective action is necessary, and come up with lists or concentration of misbehavior, however we want to define it and we’re never going to agree on that – well, maybe we will – to come up with a list of necessary actions to address unfair something in the world.

MR. ROTHKOPF: Well, look. I mean, I think, you know, you’re absolutely right and I hope I make the point at the beginning of the book, the middle of the book, the end of the book and throughout the book that I’m not making a judgment about membership in the superclass that says that you’re necessarily good or you’re necessarily bad, or that having power is necessarily a bad thing because I don’t think it is.

Now, of course, this is my classic centrism which, you know, I always thought being a centrist – you know, people on both sides would find something to appreciate in my point view. I’ve subsequently learned that being a centrist gives people on both sides something to attack, which is unfortunate, but nonetheless I’m going to cleave to this approach. And, you know, that is to say this is a book about the nature of power, which some people use to good effect and to some people use to bad effect. The governance mechanisms are clearly needed, as they are in any community, to address the bad actors and the bad effect. I mean, you know, we have a police department in every town because people do bad things and you know, we proscribe certain behaviors and our definition of freedom is to leave most of the

other things, you know, open because we rely on the goodness of most people in most places. I think that that's going to be true.

The problem here is that the bad actor on the transnational level who is super-empowered is harder to contain using the mechanisms that we currently have, and so we need new mechanisms. We need to expand and enrich the toolsets that we have or the gaps will be exploited. However, the notion of doing a book called "Misbehaving" suggests all sorts of research – (laughter) – and I will be on the phone to Eliot Spitzer as soon as this conversation is over. (Laughter.)

Q: David, John Price (sp). I haven't read your book, I'm afraid.

MR. ROTHKOPF: That's okay. Jump to conclusions.

Q: Does religion come into it in any place?

MR. ROTHKOPF: Certainly, when you're writing a book in the middle of the night – oh, that's not what you meant. (Laughter.)

Yeah, of course. And I mean, you know, there are 4300 religions in the world, and the concentration of power effect works with them, it's true. There are 4300 religions, of which there are 20 that have over a million members. There are only two with over a billion members. You know, is the Pope a member of the superclass? Yes. But there are also all sorts of religious figures who are using modern technology to reach out to audiences. I talk in the book about a Latin preacher named Luis Palau (sp) who, you know, is preaching in something like 70 countries.

There are – you know, there are all sorts of examples about, you know, how religion is growing in the context of this era. And, in fact, the section in the book on religion talks about the fact that every expectation was that religion would decrease in influence. But if you look at the biggest religions – take the biggest Christian religions of Protestantism and Catholicism – they've both grown over the past 10 years in the world. And so the influence of religious organizations has grown, and those at the very top of that pyramid are certainly global players in a way that a lot of national political figures could never hope to be.

We have one or two more questions. Yeah.

Q: David Wilkey (sp), I haven't read the book either and –

MR. ROTHKOPF: I know a remedy for that.

Q: I appreciate that. I hear it's right out there.

MR. ROTHKOPF: Yeah.

Q: The question that I have for you is what loyalties do you see within the superclass that you see them. Are there commonalities that you see among the people that you see? Also, if you could address that too, with what percentage of people would you say

are truly global citizens without country or nationality in their own mindset, and how many associate with a particular region or country?

MR. ROTHKOPF: Well, I certainly wish I could answer the second question because it'd be a very interesting – you know, it'd be a very interesting calculation to do. I think that even our definition of, you know, community and what you're a citizen of has evolved in so many ways that, you know, everybody is now a member of lots of horizontal communities, you know, whether it's their local community or their community through Facebook or the community that they do business with or the community that they travel to see in other countries, and so forth. And so I think that the old definition of community is probably the biggest problem that we face because we tend to have one set of rules for within our own communities, and another set of rules for everywhere else. And we tolerate behavior in the global community that we would never tolerate in our own communities. And when we change that, we are going to go a long way towards changing global behaviors in a positive way.

In terms of the affiliations and allegiance within the superclass, it's like, you know, any small town of 6,000 people. There are people who like each other, there are people who hate each other, there are people who are rivals for each other, and that's why I don't put a lot of stock in the notion that, you know, you get your superclass decoder ring and you go and, you know, you speak the secret language of the superclass and you impose your will.

But when significant numbers of members of this group act in a certain way, they can have a lot of influence. The 50 largest financial institutions in the world have \$48.5 trillion in assets. That gives them commonality of interest and an enormous amount of influence, and when they act together it has an effect on how we regulate, how we look at markets, what we say is tolerable and what we don't say is tolerable in those regards, and I think that's what it is.

I would look at the superclass if I wanted to sort of look for problem areas, and I would look for pockets of aligned interest that are leading in the direction of what Hilda calls misbehaving. You know, because most of the activity isn't aligned and it isn't misbehaving, but there are places where there can be pockets of aligned interest where there are, that we need mechanisms that don't currently exist. And we would do well to advance them, and in fact I think that's the great sort of policy and political challenge of our lifetime and the lifetime of our children, is filling the governance gap globally.

MR. MEDISH: One more back there. Last question.

Q: My name is Bill Drinnen (sp). I work for a small but highly influential entity known as Garten Rothkopf. This is not a plant, but David I would –

MR. ROTHKOPF: If it's not, I don't know why you're standing up. But go ahead.

Q: You described the Westphalian system and the usurpation, if I can use that word, on the part of multilateral corporations such as Exxon and other members of the superclass. I'd like to hear your views on the aspect of that system – excuse me – regarding the use of

force where, under the Westphalian system, nation-states had a monopoly on the legitimate use of force, and it was one of the ways that the system regulates itself.

Do you see – and I don't mean to be facetious, but to the extent that, for instance, the superclass in China, the hope is that as they exercise economic power sooner or later they will demand to exercise political power. What is to prevent members of the superclass such as Exxon to sooner or later usurp what has previously been a state monopoly on the use of force? In other words, do you see a situation where we have an army of Exxon?

MR. ROTHKOPF: No. I mean, I certainly see lots of, you know, examples throughout history of corporate-sponsored military activity, and it's not new. I also see non-state actors who have the ability to project physical force in ways that states once did, whether it's terrorist groups and others. But you know, use of force is an interesting area in this regard because the military elite, if you'd looked at it 50 years ago, would have been much more influential. The reality is that the cost of warfare today is so high that it is a much less influential group; military force is used much less.

But even within that, even within the kind of – the ambit of the sort of military subset of the superclass, you see the same incredible concentration of power in the hands of very, very few, whether it's the fact that only 20 nations in the world have missile capability, or the fact that only three militaries in the world have over 1,000 aircraft, or the fact that one country has a defense budget that's greater than all the other countries in the world added up, or that all of the top 10 defense contractors in the world come from NATO countries, and 85 percent of the defense spending in the world comes from NATO countries. So there is a monopoly or certainly a high concentration of power, of military power, and that I think is another of the reasons why it is used much less because it's so concentrated in the hands of just a few.

MR. MEDISH: So ladies and gentlemen, the book is "Superclass." Please read it; above all, buy it. You heard it here first, David Rothkopf; the next book is "Misbehaving."

MR. ROTHKOPF: And if you have to choose between buying it and reading it, just buy it.

MR. MADISH: Thank you, David.

(Applause.)

(END)