

Mexico's Plutocracy Thrives on Robber-Baron Concessions

Editorial
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Growing up in Mexico City, I always knew Mexico was an unjust country — a place where small coteries of the privileged control all power and wealth while half the population lives in poverty. But it never occurred to me that Mexico would have billionaires.

It does. According to Forbes magazine, last year there were 10 Mexicans among the world's 946 billionaires.

That might not seem out of line in a country with 100 million-plus people, which accounts for about 1.6 percent of the global economy. But here's what takes the cake, especially if you're Mexican like me. Earlier this month, Fortune reported that Carlos Slim Helú, a Mexican, had just surpassed Bill Gates to become the world's richest man, with a fortune worth \$59 billion.

To put it in perspective, Mr. Slim's treasure is equivalent to slightly less than 7 percent of Mexico's total production of goods and services — one out of every 14 dollars' worth of stuff made by all the people in the country.

The income distribution in the United States may be fast approaching Mexican levels of inequality, but in relative terms, Mr. Gates isn't even in Mr. Slim's league. His \$58 billion fortune is less than 0.5 percent of the nation's G.D.P.

Indeed, by this measure, Mr. Slim is richer even than the robber barons of the gilded age. John D. Rockefeller, America's richest man, was worth the equivalent of about 1.5 percent of the nation's G.D.P.

It takes about nine of the captains of industry and finance of the 19th and early 20th centuries — Rockefeller, Cornelius Vanderbilt, John J. Astor, Andrew Carnegie, Alexander Stewart, Frederick Weyerhaeuser, Jay Gould and Marshall Field — to replicate the footprint that Mr. Slim has left on Mexico.

But the momentous scale is not the most galling aspect of Mr. Slim's riches. There's the issue of theft.

Like many a robber baron — or Russian oligarch, or Enron executive — Mr. Slim calls to mind the words of Honoré de Balzac: "Behind every great fortune there is a crime." Mr. Slim's sin, if not technically criminal, is like that of Rockefeller, the sin of the monopolist.

In 1990, the government of President Carlos Salinas de Gortari sold his friend Mr. Slim the Mexican national phone company, Telmex, along with a de facto commitment to

maintain its monopoly for years. Then it awarded Telmex the only nationwide cellphone license.

When competitors were eventually allowed in, Telmex kept them at bay with some rather creative gambits, like getting a judge to issue an arrest warrant for the top lawyer of a competitor. Today, it still has a 90 percent share of Mexico's landline phone service and controls almost three-quarters of the cellphone market.

Monopolies tend to generate a ton of money. Mr. Slim, a shrewd investor, deployed it well — buying up hundreds of Mexican companies and entering wireless markets across Latin America. It's hard for a Mexican to spend a day without handing him some money.

But Mexico has paid, dearly. In 2005, there were fewer than 20 fixed telephone lines for every 100 Mexicans, and less than half had cellphones. Just 9 percent of households had Internet access. Mexicans pay way above average for all these services.

Mr. Slim's style of wealth accumulation is not rare in modern Mexico. From television to tortillas, vast swaths of the Mexican economy are controlled by monopolies or oligopolies. Many of Mexico's billionaires were created by the government during the privatization of state-owned companies in the 1990s.

That is what is most difficult to swallow for a Mexican. The United States government split up Rockefeller's Standard Oil Company. A court imposed a consent decree on Mr. Gates's Microsoft to curtail its monopoly practices. In Mexico, Mr. Slim's monopoly is understood to be the natural order of things. Ask former President Vicente Fox, who appointed a former Telmex executive as minister of communications in 2000.

The United States today is heading toward a Mexican-style social contract. The concentration of 44 percent of the nation's income among the top 10 percent of taxpayers is on a par with Mexico's disparities. It's getting hard to find government officials in Washington without deep ties to corporate interests.

But perhaps the United States and its moguls can still provide a positive example for Mexico's coddled titans. Mr. Gates is giving his fortune away to tackle diseases in Africa and help poor Americans graduate from high school. (He has given more than \$30 billion to his foundation.)

Earlier this year, Mr. Slim said he would increase the donations to his companies' foundations to \$10 billion from \$4 billion. He has another \$20 billion to go to catch Mr. Gates.