

An ornate, dark metal door with a central panel inscribed with the word "BANK". The door is decorated with intricate carvings, including a large floral motif at the top and a diamond-patterned lattice below. The lighting is dramatic, highlighting the textures and details of the metalwork.

BANK

JAMES SHERRY

THE OLIGARCH

Rewriting Machiavelli's *The Prince* for Our Time



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James Sherry

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To the excellent Elon Musk:

Anyone who hopes to gain the favor of an oligarch offers what they think influential people enjoy. Supplicants present ostentatious building plans, brilliant patent filings, and expensive gifts such as cars, paintings, and baseball cards.

Although lacking the capital for such a princely offering, I am keen to bestow some proof of my appreciation. Thus, I present this treatise on the networks of power that I have written after years studying technology, finance, environment, and language.

These reflections, channeled through a work of great antiquity and importance, Niccoló Machiavelli's The Prince, remind us of the timeliness and timelessness of the subject of leadership by small groups. Some of the perspectives herein may contradict conventional wisdom, but I ask you to keep an open mind.

Though I consider this book barely worth your attention, I trust that you will be kind enough to accept it. The best gift I can offer is the opportunity to understand in the shortest time what I have learned through years of anguish and compromise, weathering the ubiquitous clamor and assault of disinformation.

Productive and effective people consider their relationships from many points of view and do not act on essential truths. Filmmakers photograph mountains

from the plains, and in order to screen the plains, shoot from the peaks. There is no privileged position of comprehension. Diverse evidence must be correlated.

Take then, this little gift in the spirit that I offer it. If you consider it, it will become apparent how to reach the prominence promised by your skill, focus, and good fortune. And if, Elon, from your mountaintop, you sometimes turn your eyes to these lower regions, you will see how much your work means to the world.

*Yours truly,
James Sherry*

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I: On the Types of Oligarchies

CHAPTER I: HOW MANY FORMS OF GOVERNANCE THERE ARE AND HOW THEY OPERATE

All states and all companies that rule and have ever ruled function and have functioned as oligarchies. While there are multiple forms of governance such as republics, principalities, and corporations, all operate through control by a few.

Oligarchies are transmitted either by tradition, inheritance, or law, or they are new. In most cases, they are organized by agreement about principles and based on individual merit, but sometimes oligarchic power is inherited.

New oligarchies are either entirely new, as the United States of America was for Alexander Hamilton, Thomas Jefferson, and James Madison, or they are created from established states and companies, as in the case of the European Union, pillared on trade and banking.

Some oligarchies operate through the illusions of autocratic form as in Russia, where President Vladimir Putin's prominence conceals the cadre of oligarchs that runs the state and the economy. Other oligarchies live with the delusions of democracy as in the US, where the people have little control over their economic, political, and cultural fate, yet they insist they are free. In Russia, oligarchs use the autocracy to control and sequester financial and hard assets. In the US, oligarchs establish freedom of action for themselves to accumulate assets and control institutional processes. Freedom for the people means something quite different, as you well know.

Oligarchies in modern times are acquired either through the arms of defense industries, as in Europe after World War II; by the manipulation of popular uprisings, as with China and the Soviet Union; or by a supportive external oligarchy, as in Chile via the US-backed assassination of Salvador Allende, or in Iraq via the toppling of Saddam Hussein.

The forms of governance have received the detailed attention of political writers from Plato and Aristotle to Machiavelli and Montesquieu to Karl Marx and Thorstein Veblen, as well as through the theory of corporations, the media, and contemporary political cant. Operations, on the other hand, are obscured by immense detail and secrecy. These operational details, as much as form, regulate individual well-being. Operational skills determine individual and group successes. How political leaders operate within the form of government determines their ability to hold office and avoid unnecessary conflict. How corporate leaders operate a firm determines its profitability.

Rather than provoke a conflict in defense of form, which we all value, this book focuses on the networks of leadership that link form and operations. The driving forces behind visible leaders are these oligarchic networks that support presidents and CEOs in top administrative positions. Leadership is layered and not based on that cult of individuals that culture promotes.

Gaining support from the people requires formal consent and general consensus. Consent of the governed has been accomplished in modern times by broadening suffrage, increasing representation in government, and disseminating effective public relations. State and corporate public relations identify coalitions whose supporters are often asked to act in a manner contrary to their self-interest. The Enlightenment ideals of freedom of the mind and action have captured the support of both the masses and the intelligentsia. But state and corporate mechanisms of control have increasingly invalidated these freedoms through operational changes that override the will of the majority of citizens and workers, allowing oligarchs to increase their share of wealth and power.

Truly, democracy usually improves the well-being of the people. Yet too little consideration has been given to how different forms of governance actually function and who benefits. And it is on the other side of this scrim of form that power is wielded throughout the world.

CHAPTER II: CONCERNING OLIGARCHIES TRANSMITTED BY TRADITION, INHERITANCE, OR LAW

Republics, autocracies, and public and private companies operate similarly through control by small groups, the differences being their form, public face, and how surplus is distributed. Form alone does not determine the value of a state or corporation. Democracies impoverish their people nearly as often as autocratic forms of government and do not guarantee individual happiness and security. Zimbabwe, Haiti, and India are examples of different governmental forms of notably inequitable states in which large swaths of people suffer unnecessarily due to the uneven distribution of wealth and self-serving leadership. Singapore and Germany have healthy, productive populations in spite of differing forms.

Although the personal freedom promised by democracy usually improves individual well-being, a state government must balance economic conditions with appropriate taxation and benefits to reduce suffering and precarity among its citizens. Equality of opportunity and balancing wealth improve any organization more than too few receiving too much of either. Lower net inequality is robustly correlated with faster and more durable growth, for a given level of redistribution. If politicians and economists do not cleave too tightly to the interests of any one class, they well understand the tipping points of economic equality, after which political instability increases.

Economic power is one of the chief supports of any oligarch. You need money to pursue your programs. But the media phrase “follow the money,” like vulgar Marxism, misdirects the oligarch’s understanding of power by proposing a single, essential criterion for control. It creates factions among citizens and intensifies the desire for personal wealth. Looking more closely, other types of control, influence, and organization sustain power’s infrastructure. Including elites—and not just the wealthy—in understanding how the few rules promotes greater accuracy about power, since the leadership network and the character of its connections, as much as wealthy individuals, shape any organization. This network continually transmits power and reroutes change throughout time and social structure, usually permitting one individual to easily replace another in leadership roles. Effective bureaucratic communications account for the longevity of certain states and cultures as much as other vectors like predictable water flows.

This network, like any complex system, operates similarly at different scales. Although the form of communications is specific to each organization,

transmissions within a family or clan contain similar information to those of the corporation or state. Peace cannot be made between warring factions without go-betweens who are familiar with both sides of a dispute. Lawyers standardize methods and protect clients in commercial negotiations. Conflicts of interest are eliminated by rules developed by professional associations.

Protocols are often transformed when they pass from one entity to another or move between oligarchic groups. In Somaliland, for example, in 1999 businessmen stopped paying taxes to unreliable warlords, and transferred control of their commercial disputes to the Sharia courts of the Islamic Court Union. The ICU, made up of clan elders, businessmen, and sheikhs, derived its reliability from traditional connections to the powerful Hawiye clan of Mogadishu. This need for consistency in legal cases, especially contract law, drives oligarchs to standardize and reduce the likelihood of miscommunication. Co-location of private assets such as the endowment of the Basilica of St. Mark in Venice and offshore banking institutions such as those in the Cayman Islands and Switzerland exemplify such standards that assure oligarchs that assets are protected yet accessible to them.

The network holds sway over individuals, even the richest and strongest, and supports operations at all scales from local to global. The network's most powerful and stable nodes—both individuals and groups—tend to be those with the most connectors to other nodes, not only those with the most money or the biggest armies. Their connections are strong or weak, continuous or intermittent, mono- or bidirectional depending on conditions, but relative reliability remains vital to any channel. Hence financial transactions are matched at exchanges controlled by well-documented rules.

Highly connected individuals and groups build and defend corporations and states. Focusing only on wealthy individuals reinforces a marginal participant's desire to join these networks, acting as an incentive to join the bureaucracy. Such media focus fetishizes consumption and disguises the reins of power, since power that proclaims itself loses power. So, it is usually in the interests of an oligarch to work in the background, hence the effectiveness of oligarchs in democracies. The combined wealth and stability of civil oligarchs compares favorably to ruling oligarchs who, while potentially richer—compare the net worth of Russia's Putin to Microsoft's Bill Gates—operate at greater risk.

An oligarch finds fewer difficulties in managing states and corporations with traditional oligarchies. For example, in England, leadership was so

secure it attracted much of the Venetian gold that fled its Republic prior to Napoleon's conquest in 1798. Newly minted wealth, as in Silicon Valley, is more troublesome because culture develops slowly within any domain. It takes a while for an oligarch to stabilize power relations, but it is usually sufficient to prudently address situations as they arise and avoid transgressing the customs of precursors. If a new leader like US President Jimmy Carter appears, whenever anything sinister happens to him, like an October surprise, another group ascends because culture is built around existing expectations.

The Koch brothers, Charles and David, could not have withstood the attacks of political foes if they had not been well established in the oil refineries they inherited from their father, Fred. Using that base, they sustainably diversified their holdings. They have networked conservatives for decades, building new organizations like the Cato Institute to project their power and installing their people in existing institutions like George Mason University through funding from their private foundations. They also fund the American Civil Liberties Union, prison reform efforts, and other moderate institutions that can promote aspects of libertarianism and provide suitable cover for their activities. Their network is not limited to any form of governance, but rather extends freedom of action for themselves.

The Koch brothers' notion of freedom implies that they benefit from democracy, although universal suffrage actually impedes their progress. As a result, Koch-funded organizations actively work to suppress voters in many jurisdictions. Along with other highly connected citizens like Karl Rove, lobbyist Jack Abramoff, Congressman Bob Ney, and billionaires Paul Singer and Julian Robertson, this network has, through the good offices of many Secretaries of State, like Florida's Katherine Harris and Kansas' Kris Kobach, wiped more than seven million legitimate registered voters from the rolls, mostly Democrats, students, the elderly, and people of color.

Hereditary and traditional oligarchs are unlikely to offend existing cultures. The people feel these multigenerational leaders act as they themselves have been taught to behave. In this way, all parties are apparently respected. Unless extraordinary behavior, like Howard Hughes', causes a hereditary oligarch to be mistrusted, the network will continue to support their control. Due to the duration of oligarchic hegemony, the memories and motives that drive change fade. In this way, the hereditary oligarch uses time to moderate social change.

Hereditary oligarchies, however, suffer from an inherent weakness: a scion may not have the same strength of mind or purpose as the fortune's

founder. As a result, most developed nations have severely restricted the institutional guarantees of the power of inherited, aristocratic wealth. If the blood has thinned due to the chances of genetics or aesthetic training, leadership is often inherited by weaker hands. These children of oligarchs may let power slip from their grasp either by running the (e)state into the ground or by allowing it to be managed by professional administrators while they pursue their pleasure, good works, and art. If the former, then new, stronger hands will pick up the reins, and not much is lost.

But if the latter is the case, as often happens with inherited power and privilege, the (e)state is managed by lawyers and accountants—an industry that protects wealth—who have more interest in financial success than maintaining a socially responsible state or corporation. Even with the proper incentives, these professional administrators who preserve inherited wealth often promote unfair, even brutal, treatment of employees and citizens to assure profitability. The supported oligarchs, while rich beyond imagining, do not have the skills to maintain the integrity of the state or firm. The children of the Walton family appear as a fine example of disengaged, inherited wealth and power. Instead of enhancing Walmart's overall value, they allow it to be run in a way that ignores, as much as feasible, the society and infrastructure that made their wealth possible. In such cases, imbalances and inequality may become intolerable. Then the oligarchy itself becomes as vulnerable as France was in 1789 and Russia and China were in the twentieth century. Today, rising inequality, in developed countries such as the US and United Kingdom and in developing countries such as Russia and China, has begun to create imbalances and divergences—economic, political, and environmental—that suggest a turning point for humanity and a potential return of aristocratic institutional rights and privileges.

We cannot build a productive society, as highly interdependent and connected as our current world, by empowering the scions of hedge-fund managers and technology geeks. Inherited wealth can be effectively moderated by taxation, even against the efforts of the accountants and lawyers of the income protection industry. Recent studies have concluded that the equitable distribution of income is a more important contributor to sustained economic growth than openness to trade, a competitive exchange rate, level of foreign investment, or the quality and stability of a country's political institutions. Taxing inherited wealth is in the interests of all but the feckless inheritors and the hollow arguments of paternalists.