



## Stanford eCorner

### The 80/20 Rule

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Just twenty percent of the members in any group or social system own eighty percent of the assets, indicative that scale indicates a growing concentration of power. The top 2,000 companies employ and influences a million people in the modern world, says author David Rothkopf. With cross-ownership and networking in all circles - business, military, religion, and the Internet among them - a few succeed, but the majority of participants within any given system are marginal.



#### Transcript

And power has grown more and more concentrated. Some of you may be familiar with the works of the Italian economist, Wilfredo Pareto, who came up with, at the turn of the century, 80-20 Rule. The 80-20 Rule is wonderful because it applies to everything. It applies to dog racing. 20% of the dogs win 80% of the races. And it applies to rabbit breeding, if any of you championship rabbit breeders, some of you over there are championship rabbit breeders. 20% of the rabbits win 80% of the championship or something like that and it's reductive. Within the 20-80 Rule, there's another 20-80 Rule. And so there's a growing concentration of power and that works in the world. The top 2,000 companies have 70 million employees.

Those employees probably have 300 or 400 million dependents, so the CEOs and boards of those companies have direct influence over the lives of four, 500 million people. There are probably another half a billion people who are suppliers or distributors for those companies. That's a billion people who are influenced by those 2,000 people or the boards and the power structure each of these companies varies. But that's a lot of concentration of power particularly consider than in a planet of 6,000 people, or 6 billion people. I live on my own planet. It's called the 'Planet Superclass' and there are only 6,000 people and I'll take you there. Just bear with me here. But I'm on a planet of 6 billion people. Half of those people live on \$2 a day, never heard a dial tone. They're not even in the game.

Another billion live on a couple of bucks a day. More than that, poverty or something a little bit better than that; really struggling. There are only a couple of billion people on the planet who have anything like a descent living and they report to 2,000 CEOs or their lives or their health care plans or where they're working or what assets are being allocated to them go those people. And it's a very, very tightly-knit group even beyond that. If you take the five largest companies in the world, you take their boards and their CEOs and their key managers, it's about 70 people. Those 70 people are on the boards or in the management of another 150 or so of the world's largest companies and 25 of the biggest universities. So there's a lot of cross-ownership and networking that's going on within these groups and that feeds the concentration as well, but you see the concentration everywhere. You see it in military power. There are a couple of hundred countries in the world, but there are only 30 or 40 with weapons of mass destruction. There are only 20 with missile capability.

There are only eight or nine with nuclear capability. There are only three with a thousand planes in their Air Force. But there's only one that can actually wage a global war, only one that can really wage a war in space. And that one country spends as much money on defense as all the other countries in the world put together. And the alliance, that is the principal alliance of that one country, NATO, spends 85% of the money that's spent on defense on the planet and all 10 of the world's

largest defense contractors reside within NATO. So military power is highly concentrated. No wonder that there are very few modern wars, but it exists in other areas too. In religion, it exist. There are 4,300 religions on the planet Earth. Of the 4,300 religions, there are only 20 with a million members or more.

There are only two with a billion members or more. Now, that suggest that as scale plays a bigger and bigger role and we've seen technology play a dual role in all of these and we can come back to it, there's a democratizing function of technology. But it's not always democratizing. Some people use technology to build global networks, build global reach, have greater global influence and even in the case of the Internet. If you take Google and Microsoft and Yahoo! and MySpace, it's about 96% of Internet traffic in the United States through four or five big corporations. So there is even within this concentration. And also, by the way, a classic place to see the 80-20 Rule is blogs and other places where we thought there would be a lot of innovation. What happens is a few succeed and the rest are marginal. Not unimportant, but marginal. And so we have to see that they are both democratizing forces on all of these.

And there are amplify, centralizing global networking forces associated with it to play to the benefit of those that have a concentrated power.