

SLIM'S TIME

Who is Carlos Slim, and does he want the paper of record?

BY LAWRENCE WRIGHT

When the credit window suddenly slammed shut last fall, the New York Times Company found itself with a four-hundred-million-dollar line of financing scheduled to expire in May, and no obvious way to raise the money. Advertising revenue at the *Times* was tumbling, as it was at every American newspaper, and the company was servicing \$1.1 billion in debt, which was more than the business was worth. Standard & Poor's had reduced the company's credit rating to below investment-grade status, making it difficult for the paper to secure new financing. While *Times* reporters were chronicling the implosion of some of the country's most significant brokerages, banks, mortgage lenders, and insurance companies, their own institution seemed to be on the verge of collapse.

In October, 2008, Chris Wood, a representative of SunTrust, an Atlanta bank that had loaned about eighty million dollars to the *Times*, approached Inbursa, a bank in Mexico City that belongs to Carlos Slim Helú, a Mexican businessman who is sometimes ranked as the richest man in the world. A month earlier, Slim had taken a substantial position in the Times Company. Wood asked Slim if he would lend the company two hundred million dollars. Discussions went on until Thanksgiving, when an informal agreement was reached. The terms were onerous: the loan was for six years, at an interest rate of fourteen per cent—essentially, the going rate for a junk bond—and it came with limitations on incurring further debt. But the negotiations hadn't focussed on the interest rate; instead, they had centered on Slim's demand for millions of dollars in stock-purchase warrants, which could dramatically increase his ownership stake in the company. The Times Company agreed to award Slim warrants on 15.9 million shares if he raised the loan amount to two hundred and fifty million dollars. The deal was finally signed in January. Slim became the company's largest

creditor and was poised to become one of its largest stockholders—after members of the Ochs-Sulzberger clan, which has controlled the *Times* since 1896.

A *Times* correspondent who covered Mexico for the paper was stunned when he heard that the company had been bailed out by a man he considered an exemplar of Mexico's crony capitalism. "Slim is the consummate monopolist," the reporter said. "Does being embroiled in a business culture of back-scratching and unseen forces make him a great partner for the *Times*? I don't think so."

In modern history, no one has dominated a major economy as overwhelmingly as Carlos Slim does that of Mexico—a country of a hundred and ten million citizens, in which the per-capita income is little more than ten thousand dollars. In August, 2007, Eduardo Porter, a member of the *Times* editorial board, wrote on the Op-Ed page, "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." Porter was referring to a report in *Forbes* that listed, among the world's nine hundred and forty-six billionaires, ten Mexicans, including Slim, and to an article in *Fortune* that named him the world's richest man, worth, at the time, fifty-nine billion dollars—equivalent to five per cent of Mexico's total annual production of goods and services. Comparing Slim to the robber barons of America's Gilded Age, Porter observed, "It takes about nine of the captains of industry and finance of the 19th and early 20th centuries"—he listed John D. 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."

Slim and his heirs control more than

two hundred companies; those which are publicly traded in Mexico account for about forty per cent of the country's main stock-market index. Nearly every day, nearly every Mexican contributes something to the Slim cash box. Slim is also one of Mexico's largest private employers. He owns Sanborns, which is both the major retail outlet in the country and its largest restaurant chain. His portfolio contains Inbursa, one of Mexico's most prominent banks; Volaris, an airline; a mining company; the Mexican branch of Sears; construction and insurance companies; a financial group; five hotels; a bottling company; a cigarette manufacturer; and much valuable real estate. Any of these enterprises would have made Carlos Slim a wealthy man, but the foundation of his empire is the telecommunications company Telmex, which he acquired in 1990, when Mexico began privatizing its national industries. Ten years later, Slim spun off a cell-phone business, América Móvil, which is now the third-largest company in Latin America.

"When Carlos Slim started climbing on the *Forbes* list, I began doing my own math," Eduardo García, a publisher in Mexico City, told me. In 2005, when *Forbes* ranked Slim as the world's fourth-richest man, García—who writes a column called "Slim Watch" in *Sentido Común*, an online magazine he edits—was able to find ten billion dollars more in assets than *Forbes* had reported. In March, 2007, García declared that Slim had moved into first place, ahead of Bill Gates by a billion dollars. Reuters ran a news item about Slim being the world's richest man, and the *Wall Street Journal* covered the story. (According to *Forbes*, Slim is now third, behind Gates and Warren Buffett, as the worth of all three men has diminished. *Forbes* calculates that Slim is currently worth thirty-five billion dollars, five billion less than Gates.)

To many Mexicans, Slim's wealth is a matter of pride. In a recent poll, Slim,



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who shuns politics, was designated “the great leader Mexico needs,” clobbering the most popular prospective candidate for President, Enrique Peña Nieto, the governor of the State of Mexico. But to many other Mexicans Slim represents what is wrong with the Mexican system. A prominent investment banker in Mexico City told me, “There are two views in the country about Slim. The view I hold is that he has taken advantage of our system, but he is also a brilliant businessman. He runs his companies very well, with very little excess. The other view is that he’s a bully, and he’s done enormous damage to Mexico.”

The publisher of one of Mexico’s leading newspapers told me, “The rules are, the strongest man wins. We don’t have a single case where we have a businessman in jail for price fixing or monopoly practices. It’s difficult to defend the proposition that someone who could be the world’s richest man comes from what should be a highly regulated sector of a very poor country.”

I met with Slim recently in his Mexico City office. On being confronted with the observations of his critics, he scarcely looked up from a pile of balance sheets that he was poring over. His hair is the color of wire, and he has a squared-off mustache. As we talked, his eyes were narrow and wary, reflecting a long-standing caution about talking to the press—or perhaps they were simply weary from the strain of reading column after column of numbers. It was getting late; we had been sitting together for hours, and his face was glazed with perspiration. “If society were to tell me to get out of business, I would do it, but please ask my critics what they have done for the country,” Slim said. “How many jobs have *they* created?” he added. “Oh, how they hate me!”

Although Carlos Slim has often been described as a merciless predator, he has never been caught in one of the personal scandals that periodically spill onto the front pages of Mexican newspapers. And, given his fortune, he is not a lavish spender. “He is the only Mexican among the top two hundred in wealth who doesn’t have a home in the U.S.,” a former Mexican government official told me. For the past thirty-seven years, Slim has lived in an unpre-

tentious house in the capital’s Lomas de Chapultepec neighborhood. (He is a widower; his wife, Soumaya, died in 1999. They had six children, all of whom now work for their father.) He showed me his home office—a small room containing a desk, an Aeron chair, and bookshelves filled with histories and biographies—and his bedroom, which was the size of a Manhattan hotel room. The only extravagance in the house was the art: Murillo’s “Inmaculada Concepción” in the living room, an El Greco in the dining room.

Politically, Slim is difficult to categorize. He professes to be indifferent to the politics of those he works with. In the nineties, his reputation was tainted by his association with Carlos Salinas de Gortari, the now disgraced former President. Salinas once invited Slim and two dozen other wealthy Mexican businessmen to dinner, and solicited twenty-five million dollars from each of them. Slim told me that the donations were intended to help Salinas set up a fund for independent financing of elections; in any case, it looked like a squalid backroom deal. These days, Slim told me, “I don’t have business with any politicians.”

Slim is a man of few pastimes, apart from baseball, which attracts him because of his passion for statistics. His favorite team is the New York Yankees. He can recall obscure statistics, such as Sandy Koufax’s minimum number of strikeouts per inning or the batting averages of the stars of the Negro leagues. Occasionally, he publishes rhapsodic articles about the sport. “The numbers speak on a limitless diamond: of memory, imagination, the making of legends,” he wrote in 1999. “The love of the game has a new beginning; the mind is once again at play.”

Slim’s nationalism, his humility, and his relatively modest personal habits stand as a kind of rebuke to the image that Mexicans typically have of their oligarchs. An acquaintance of Slim’s recalled that, whenever Slim came to an economics lecture or a party for a foreign political figure, he would pull out a black notebook and make notes, in tiny script. “Nobody else did that,” the man said. With Microsoft, Telmex owns Prodigy MSN, an Internet service provider, yet Slim doesn’t have a computer and says that he doesn’t know how to

use one. (He does carry a BlackBerry, though, which he loves, calling it “my B.B.”) Despite his extensive art collection—in 1994, he established the Museo Soumaya, named after his wife—Slim is thought of as something of a parvenu. One reporter remembers interviewing Slim in his office, where he was surrounded by Impressionist paintings with the Sotheby’s lot numbers still pasted on the frames. Sergio Sarmiento, a television talk-show host and a newspaper columnist, said of him, “He’s a loner. He doesn’t have much of a social life. When we have lunch, he wears suits off the rack from Sears—he owns it. The food comes from Sanborns—he owns it. He doesn’t attend fashion events. He’s a lousy speaker, shy, and he doesn’t have a good sense of humor. He likes to watch sports.” Another newspaper publisher told me, “I had dinner with him one night, and he had a hole in his shirtsleeve that you could put your fist through.”

Slim’s father, who was originally named Khalil Slim, arrived in the port of Veracruz in 1902, at the age of fourteen, having travelled by himself from the Lebanese village of Jezzine. In Mexico, there are now hundreds of thousands of descendants of Arab immigrants, especially Lebanese. The immigrants came seeking religious freedom—the Slims were Maronite Christians—or fleeing the draft of the Ottoman Empire. Khalil, who changed his name to Julián, joined his two older brothers, who had established a retail business.

In what now appears to be a characteristic Slim move, Julián and his brother José opened a general store in Mexico City in 1911—as the Mexican Revolution was getting under way. Three years later, Julián, at the age of twenty-six, bought out his brother’s share in the store, called the Oriental Star.

At one point when I was visiting Slim’s office, he punched a number on the speakerphone on the dining table that serves as his desk.

“*Sí, Ingeniero?*” a voice said.

Slim called for the ledger books from his father’s store. “He decided he would always be in Mexico,” Slim explained. “He invested during the revolution.” A few moments later, one of his nephews came in with the ledgers, and he showed me a page, written in Julián’s elegant

hand, from November 3, 1919; by that date, nearly two million people had died or fled the country, but Julián had accumulated more than half a million pesos' worth of merchandise, stock, and real estate. Julián sold the store in August, 1929, two months before the Wall Street crash plunged the world into the Great Depression.

Carlos Slim was born on January 28, 1940, the fifth of six children of Julián and his wife, Linda Helú, whose parents were Lebanese immigrants. Carlos opened a checking account when he was only ten years old, and quickly realized that he wasn't getting a big enough return on his deposit. He withdrew the money and began buying savings bonds, for ten pesos. The bonds were supposed to double in value in ten years. "I thought that was ten-per-cent interest, but I found it was 7.17," he remembered. "I discovered compound interest."

In 1952, when Carlos was twelve, his father gave each of the children a savings book, and began going over their personal income and expenses every week. He stressed the value of strong families. He used toothpicks to show that "you can break one, but you cannot break all of them together," Slim recalled. A maxim that Julián liked to repeat was: "Money that leaves the business evaporates." This became a credo of Slim's future empire. Another was: "All times are good if you work in the right way." Slim said he learned from his father that "you are only a temporary manager of wealth. At the end of the day, you go with nothing."

Julián Slim may have felt a particular urgency in imparting these lessons to his children. He was a diabetic, and had already survived one heart attack; in 1953, at the age of sixty-five, he had a second heart attack and died. Slim was devastated. "I stayed in my home for two years," he recalled. He stopped going to movies and parties.

"I was a tough kid," he said, in his office. His thoughts drifted; he reached across the table and picked up a pair of clippers, which he often fiddled with as we were talking, and began to trim his nails. "You get angry because of what happened." On another occasion, he told me, "Any personal crisis—you have to use it to get stronger."

Slim began emerging from his de-

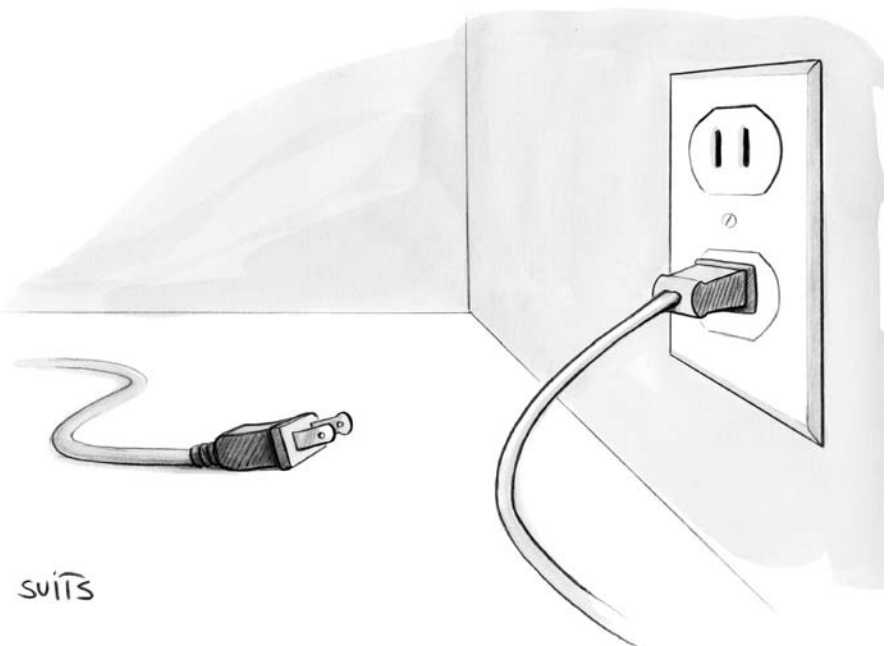
pression when he entered high school, in 1955. He was a good student—he showed me the framed diploma from the Catholic school he attended, which noted that he was at the top of his class—and he continued making investments, even dipping into the school fees that his mother provided. In January, 1955, his balance sheet showed a net worth of fifty-five hundred pesos; by August of 1957, it had grown to nearly thirty-two thousand. He attended his first board meeting—of a mining company that he was interested in—when he was still a teen-ager.

"There are people who are good for letters and others that are good for numbers," Slim observed. He decided to become an engineer. He entered the National Autonomous University of Mexico, and performed so well that he was asked to teach his fellow-students linear programming, which is often used to calculate the optimum allocation of resources—a Slim specialty. (He eventually published a thesis on the subject.) He also formed a student investment club, requiring each member to put up a few hundred pesos. He was a handsome young man, friendly and popular, but photographs from that era capture a striking gravity in his expression.

Slim completed his studies in 1961 and went to work for a prominent firm in Mexico City. Although he is still

known to his employees and his friends as *El Ingeniero*—the Engineer—he realized that his ambitions lay elsewhere, and he abandoned engineering. Before the next chapter began, he decided to take a year off. It was 1964, and he headed to New York.

Most newspapers in America, like telephone companies in Mexico, operate as semi-monopolies, or what Warren Buffett has labelled "economic franchises"—they offer necessary products or services that are not subject to price regulation and are thought by their customers to have no substitute. Until the nineteen-seventies, nearly every major city had competitive daily newspapers, but consolidation—caused, in part, by the popularity of television news—tended to leave only one paper in each market. Most of the surviving papers were left in an enviable situation. In what may prove to be a historical anomaly, daily journalism suddenly became a lucrative enterprise. Newspapers began buying prime downtown lots and building glassy office towers. Reporters were paid a reasonable wage, which was also unprecedented. But, even before the current recession struck, the basic sales model for print media began falling apart: Craigslist destroyed the classified-advertising base, department stores consolidated and advertised



SUITS

"Marsha!"



Victoria Roberts

"We need to talk—let's have conversation No. 52A."

less, and the Internet made the free distribution of news the norm.

And so when Slim began investing in the *Times* last year many smart people were dubious. "We were saying, 'This guy is crazy,'" an adviser to the Times Company board told me. The stock subsequently slid from fifteen dollars to six; Slim lost millions. The stock-purchase warrants that came with the loan, however, placed him in an advantageous position with the *Times*. He could become one of the main stockholders, in addition to being the company's leading creditor. It would be difficult for anyone to take over the paper without his involvement, and if the *Times* went bankrupt he would

presumably be entitled to a substantial portion of the company's available assets.

"The smartest thing the paper did was to turn itself into a true national newspaper, with the very best Web site," a *Times* writer told me recently over dinner. "The dumbest thing for the company was to buy back its own stock when it was in the thirties and forties." That was during the early two thousands. The night we talked, one share of Times Company stock was worth less than the price of the Sunday paper. "Investment bankers probably talked the company into it," the writer said. "Management spent, like, a billion dollars." (In fact, the figure is \$1.4 billion.) "That's capital they really wish they

had now. Then, of course, they bought the Boston *Globe*."

In 1993, the Times Company, whose chairman at the time was Arthur Sulzberger, Sr. (the father of the current publisher, Arthur Sulzberger, Jr.), paid \$1.1 billion for the *Globe*, the highest price ever for an American newspaper. In 2006, Jack Welch, the former head of General Electric, and two partners expressed interest in buying the *Globe*, reportedly for six hundred million dollars. The *Times* sent Welch a letter saying that the *Globe* was not for sale. Welch's proposed price was more than half the current market value of the entire Times Company, which includes the radio station WQXR, the search engine About.com, a minority stake in the company that owns the Boston Red Sox, and sixteen newspapers, not counting the *Globe* and the *Times*. The Boston daily is now losing more than fifty million dollars a year, and the *Times* has threatened to shut it down. "That is really very disturbing," the writer, who has known Sulzberger, Jr., for several years, said. "It is astounding that the *Times* would do that."

It's not clear if Slim wants to control the *Times*, and, if so, why. "Why would anybody want it?" the writer said. "You want it because you can change it ideologically, or you want to have the same pride that the Sulzbergers have in owning the New York *Times*. It has a value that transcends economic value." The writer went on, "If this was Rupert Murdoch or Sumner Redstone or Michael Eisner or David Geffen, you would say, 'Oh, I get this.' But this is Carlos, and he's totally about the economics." The writer admitted to being baffled about Slim's motivation. "That's the great mystery of this play," he said.

To protect the Ochs-Sulzberger clan's control over the newspaper, Times Company stock is divided into two tiers: Class A, which can be bought on the open market; and Class B, held largely by the Ochs-Sulzberger family. Owners of Class B stock elect seventy per cent of the board, thereby determining the policies of the paper. I asked the writer if the family, which holds eighty-nine per cent of the Class B shares of Times Company stock, would ever be tempted to sell, as the Bancroft family eventually did, when Murdoch came shopping for

Dow Jones and the *Wall Street Journal*.

“A lot of people have looked for cracks inside that family, and nobody has ever found them,” the writer said. “But the stock is now way down, and the company suspended the dividend, and dividends are how the Sulzbergers who don’t work put money in their pockets.”

Even if there were dissidents in the family who wanted to sell the paper, they would face a formidable challenge. The family trust is overseen by eight members, and the assent of six of them would be required to approve structural changes to the company, including its sale. That hasn’t kept away suitors, many of whom have criticized what they perceive as poor business decisions on the part of the *Times* management. In 2007, Hassan Elmasry, a Morgan Stanley fund manager based in London, who controlled ten million shares of Class A *Times* Company stock, pressured the management to eliminate the two-tier stock system, without success. The hedge fund Harbinger Capital Partners forced two candidates onto the board after acquiring nearly twenty per cent of the company’s stock, but that hasn’t got Harbinger any closer to running the paper.

The most serious bid for the *Times*—one that might have solved its financial problems—came from David Geffen, the entertainment mogul. In September, when Slim was making his initial investment in the company, Geffen called Steven Rattner, a close friend of Arthur, Jr.’s and a former *Times* reporter. (Rattner is now managing the automobile bailout for the Obama Administration.) According to sources close to both men, Geffen offered to buy out the *Times* and take it private. Knowing that the Sulzbergers would resist his proposal, Geffen suggested that he would leave the editorial side to Sulzberger while he took over management of the business, eventually placing the paper in the hands of a nonprofit foundation. Rattner presented the idea to Sulzberger, who rejected it. Then, when Geffen learned of the pending loan from Carlos Slim, he called both Rattner and Sulzberger and offered to make the same deal. Sulzberger turned Geffen down, saying that he preferred Slim, because he already held a large stake in the paper. He was reportedly also worried

about Geffen’s ambition to take over the company. In May, Citibank approached Geffen and asked if he wanted to buy Harbinger’s stake in the *Times*, which would make him the largest shareholder after the Sulzberger family. Geffen said that he would pay market price for the stock, but Harbinger reportedly wanted a steep premium. Geffen declined.

Until recently, the *Times* had resisted making the sort of staff cuts that have decimated newsrooms all over America. But in April *Times* employees were informed of a five-per-cent pay cut. Soon afterward, a hundred employees were fired from the business side. “There’s a growing sense that the company is really hitting a wall and management doesn’t know how to deal with it,” the writer said to me in mid-May. “For the first time, people really are thinking this place could go bankrupt.”

Carlos Slim was twenty-four years old when he arrived in New York, in the summer of 1964. He visited the World’s Fair, where he particularly enjoyed General Electric’s Progressland, which had a rotating auditorium. At Futurama, the General Motors exhibit, moving chairs took fairgoers into the year 2024, when the moon would be a tourist destination. During his month-long trip, Slim also visited the New York Public Library and the Statue of Liberty, and he went again and again to the New York Stock Exchange, burying himself in its library. “I wanted to see how it works,” he says.

Slim returned to Mexico in August, and while he was home he met the sixteen-year-old daughter of one of his mother’s friends. The girl, Soumaya Domit Gemayel, was the child of two prominent Lebanese-immigrant families, and she was cultured, slender, and elegant. “I was very impressed,” Slim recalled.

Then he was off again, to France, Germany, and Spain. He visited Jezzine, his father’s village in Lebanon,

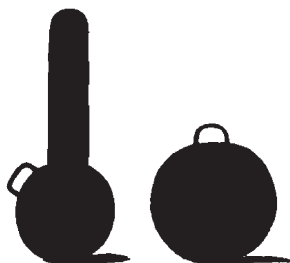
known for its beautiful waterfalls. He toured the ruins in Baalbeck and Byblos, and he enjoyed going to casinos. But at the same time he was preparing his next move—a kind of surprise attack on several key sectors of the Mexican economy.

In 1965, Slim says, “I went from being an investor to being mainly an operator.” He had read some popular literature on business, in particular “How to Be Rich”—a collection of the advice columns that J. Paul Getty, then the wealthiest man in the U.S., had written for *Playboy*. Getty urged his readers to cultivate a “millionaire mentality,” which he described as being “always and above all cost-conscious and profit-minded.” Getty made his fortune as a wildcatter in oil fields, earning his first million at the age of twenty-four. Slim was already a year older, but by the end of 1965 he had established a brokerage house, acquired a bottling company, and incorporated a real-estate business, Inmobiliaria Carso. The word “Carso” comes from the first letters of his name and that of Soumaya, whom he wed in April of 1966.

When Slim married, his mother offered to buy him a house—a family custom. Slim said that he would prefer the cash equivalent. Upon receiving a million pesos from his mother, he built a twelve-story condominium in Mexico City. He and Soumaya occupied the ninth floor and rented out the other apartments.

Slim continued acquiring businesses—a copper mine and a printing company among them—but his most significant purchase was the cigarette manufacturer Cigatam, which at the time had the Mexican license for Marlboros. Cigatam provided Slim with a critical ingredient for amassing a fortune: steady cash flow.

By 1981, Slim had begun to see signs of economic catastrophe. Before a crisis, he observed, there is “an excess of excess.” Mexico, a major oil producer, was deeply in debt but swimming in petrodollars. Inflation was out of control all over the world. Oil prices were falling, and capital fled the country. In February, 1982, Mexico devalued the peso, causing it to lose more than seventy per cent of its value; in August, the Secretary of Finance and Public Credit announced that the country was defaulting on its foreign



debts. It was bankrupt. Investors wanted nothing to do with Mexico. Slim went shopping.

In 1982, he bought shares in Reynolds Aluminum, General Tire, and the iconic Sanborns retail chain, which had once been his father's major competitor. Sanborns now has a hundred and twenty-five stores around the country. The typical Sanborns is considerably smaller than a Wal-Mart, but still manages to sell clothing, jewelry, electronics, pens, cards, toiletries, books, magazines, DVDs, and toys, and has a restaurant, a bar, a bakery, and a pharmacy. There is also a separate chain of Sanborns cafés.

"The year 1983 was crazy," Slim recalls. "People wanted to sell not only their investments . . . but also their companies." American businesses began pulling out of Mexico and dumping their Mexican subsidiaries. Slim says that he began investing in Anderson Clayton, which sold cotton gins, at fifty-eight pesos a share. A few months later, it paid a sixty-five-peso dividend. Other companies were being sold for one or two per cent of their book value. "We bought a paper company for a million and a half dollars." He recalls picking up forty-three per cent of a Firestone subsidiary for a hundred and forty thousand dollars. "These were the best times ever," he says. "Nobody wanted to buy anything and everyone wanted to sell."

In August, 1984, in the midst of Mexico's debt crisis, Slim made an important purchase. One of the major banks in the country, Bancomer, had been nationalized and forced to divest some of its holdings, and Slim acquired a package of securities. He says that he paid fifty-five million dollars for the package—"a lot of money for those times"—which included the insurance company Seguros de México. That company alone, Slim says, is today worth eleven billion dollars. A pattern was emerging. Bold action in the face of a crisis didn't just add to Slim's fortune; it multiplied it.

In my lifetime, there have been several occasions when people were saying 'Woe is the New York *Times*,' " Bill Keller, the executive editor of the newspaper, told me recently. We were sitting in the cafeteria of the *Times*' new headquarters, a six-hundred-million-dollar skyscraper at Forty-first Street and Eighth Avenue, which its architect,

Renzo Piano, describes as "a story about transparency and lightness"—quite a contrast to the paper's grubby former home, on West Forty-third Street. The *Times* sold that building in 2004, for a hundred and seventy-five million dollars; three years later, the new owners sold it again, for a profit of three hundred and fifty million.

"The old building was cramped and ill-suited to the reinvention that we were beginning to go through," Keller said. "It was not a pleasant place to come to work." As we talked, the *Times* was negotiating to sell a portion of its new headquarters for two hundred and twenty-five million dollars, and lease back the twenty-one floors housing its offices, with the option of repurchasing the space in ten years. Unlike many struggling American papers, Keller said, the *Times* had focussed on protecting its newsroom—"the reporters, editors, photographers, graphic artists, and Web producers. The people you need to actually *be* the New York *Times*." The *Times* is not as dependent on classified advertising as local papers, but, Keller admitted, "We've taken some hits. I've lived with the reality that we are headed toward some kind of transformation."

Like Carlos Slim, the *Times* management has exploited periods of economic turbulence to remake the company. Keller noted that during the recession of the mid-seventies the paper began publishing four sections, allowing for more advertising opportunities. In 1980, as the energy crisis was provoking another downturn, the *Times* made the ambitious decision to publish a national edition. "In my early days as an editor, I had someone explain to me the marketing strategy of the *Times*," Keller recalled. "What most newspapers do when they want to expand is to conduct a survey of people who don't read their paper and ask, 'What would make you like our paper better? What could we change to appeal to you?' Then they go and add the advice column or the comic strip—whatever it was that the nonreader said he wanted. The *Times*' approach was to go find our most loyal readers—who say they couldn't live without it, they read it every day—and to profile those people. Who are they? The strategy was to find more people like that, to define ourselves demographically, not geographically. The whole marketing apparatus was out there looking for people

who want what we're doing. The commitment to solid journalism wasn't just a slogan. It was a sound business proposition." In the current downturn, he said, "the energy and money we have invested in the Web site is roughly equivalent to those decisions."

Speaking about the future of the *Times*, Keller said, "I'm a calculated optimist. There's a crying demand for what we do and, sadly, a diminishing supply of it. How we get the demand to pay for the supply is the existential question of newspapers in general and the *Times* in particular."

"How much time do you have to figure it out?"

"A year or two," Keller said.

Although the *Times* won five Pulitzer Prizes this year, it lost \$74.5 million in the first quarter. "The crucial question is cash," a *Times* business reporter told me. "Cutting costs and selling assets can only take you so far." He added, "If you told me we're going to file for bankruptcy in ten months, I'd find that plausible."

Many *Times* employees have begun to wonder how long the Ochs-Sulzberger family can hold on. "Any change in ownership would be highly traumatic," Frank Rich, the *Times* columnist, says. "The journalistic institutions that remain truly independent are generally those run by founding families." Most other American papers have been taken over by chains, such as Gannett or Hearst, or folded into corporations where the news is a small part of a larger enterprise. Such newspapers, Rich says, "lose ambition. In some cases, they've been hollowed out." Thomas Friedman, the *Times*' chief foreign-affairs columnist, lauded the efforts that Arthur Sulzberger, Jr., has made to keep the newsroom intact, saying, "I just have a great deal of admiration for him." He told me that since taking his current post, in 1995, he has never been asked by Sulzberger what he was planning to write, or how high his travel expenses would be. "To be able to say what I want to say and go where I want to go—other than a Sulzberger-owned newspaper, you tell me where that exists today." (Of course, star reporters like Friedman live in a special universe, even at the *Times*.) Friedman said that there will always be a demand for "qual-

Subway Chanters

Rolling, Rolling

Rolling, rolling,
Over the bounding track,
We'll take the ③ or take the ①,
And then we'll take it back.



Sixteen Tons

Sixteen tons, and what do you guess?
Is she a local, or is she express?
I'm so tired from my head to my feet,
Big fat man takin' up three seats!!!



Lift That Barge

Lift that barge, tote that bale,
Don't step on that ol' third rail.



Up She Rises

Hey, hey, up she rises,
No delays, no surprises,
Getting off at Twenty-third Street
Earl-eye in the morning.



ity, branded news that people can trust,” but he believes that the shakeout of news organizations is going to be extreme: “It’s going to be us and the BBC and the *Wall Street Journal* and not a lot more.” At some point, Friedman said, the *Times* is “probably going to need a partner of one kind or another. I just hope it’s a junior partner to the Sulzberger family.” Friedman proposed a candidate—“someone with the ethics and journalistic integrity of Michael Bloomberg,” the mayor of New York, who has his own news empire.

I asked the business reporter if bankruptcy might be a tactic that Sulzberger would employ in a desperate attempt to keep the paper in the family; during bankruptcy, management would have a period to reorganize without being preyed upon by outside speculators. “We’re watching this happen in Philadelphia right now,” the reporter replied, noting that the *Inquirer* was in bankruptcy proceedings. In that case, he said, “the creditors have made it clear that they don’t want to emerge as owners. There’s every expectation that the current owners and management will remain.” A similar story is taking place in Minneapolis, with the *Star-Tribune*. If the *Times* files for Chapter Eleven,

however, its creditors may well see it as an opportunity for change, in which case the company’s fate would be largely in the hands of Carlos Slim.

In 1990, the Mexican government began privatizing national industries, including the archaic phone company, Telmex. People had to wait years to get a telephone line; the few public phones rarely worked; and large parts of the country were unconnected. The Mexican economy was stagnant and overwhelmed by foreign debt. It sorely needed investment, especially in communications infrastructure. The President, Carlos Salinas de Gortari, saw privatization as an opportunity to create strong Mexican businesses that could compete in a global market. At first glance, Telmex did not seem like much of a prize, but the government offered the future owners a monopoly on long-distance calls for six years. Cell phones were still a novelty in Mexico, and the few carriers that existed generally had licenses for certain regions and not others. The government tossed into the deal a cellular license that covered the entire country. This turned out to be one of the most precious business concessions ever awarded.

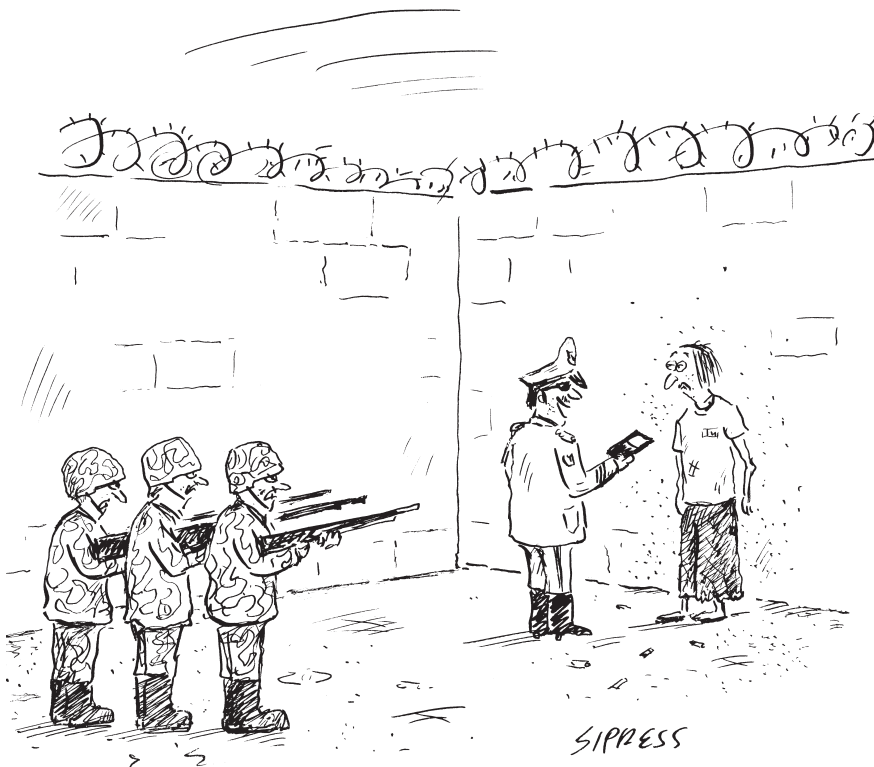
In September, 1989, when the gov-

ernment announced its intention to sell Telmex, the company had been valued at a little more than three billion dollars; three years later, when the sale finally took place, the market value of the company jumped to more than eight billion dollars, attracting the attention of international investment firms. “The privatization of Telmex helped create the whole category of emerging markets,” a former Mexican Secretary of Finance and Public Credit told me.

There were two main competitors bidding for Telmex. Slim put together a team that included Southwestern Bell and France Telecom. He recounted the story as we drove across town, in his black Ford S.U.V. “The government was selling 20.4 per cent of Telmex voting stock with an option for five per cent of non-voting stock,” he said. Slim’s team submitted the highest bid, for \$1.76 billion, but he has been dogged for years by the rumor that he won because of his ties to Salinas; both men strongly dispute the charge.

We were riding along hilly residential streets; the houses were hidden behind high walls, often topped by coiled razor wire or electric fences. An orchestral version of “Unchained Melody” played on the CD player. The fact that Slim drives himself is seen as eccentric, even reckless, given Mexico’s high carjacking and kidnapping rates. (In 1994, Slim’s cousin Alfredo Harp Helú was kidnapped; he was released after the family paid a thirty-million-dollar ransom.) I asked Slim if he felt safe on the road. “Yes, but they come with me,” he said, gesturing to the car behind us, which was carrying armed bodyguards. It wasn’t an army, I observed. Slim shrugged. “A few years ago, we didn’t need to have anyone,” he said.

Telmex came encumbered by a powerful union, obsolete copper lines, and seven thousand telephone operators whose jobs had been made superfluous by direct dialling. “Half of the people there were not necessary,” Slim says. Under the terms of the deal, however, he agreed that no one would be fired. He mollified the union by awarding the workers stock. He established the Telmex Institute of Technology to retrain his employees. He invested thirty billion dollars in infrastructure and laid thousands of miles of fibre-optic cable.



“Last tweet?”

By 1993, he says, there was no longer a waiting list for people wanting to get a telephone line.

Southwestern Bell, one of Telmex's partners, sent a young executive from Oklahoma named Randall Stephenson to work with Slim in 1992. "It was really exciting," Stephenson, who is now the C.E.O. of A. T. & T., recalls. "You have very few opportunities in life where it is just grow, grow, grow." Stephenson says of Slim, "He's probably the most intelligent businessman I've met."

When Stephenson arrived in Mexico, there were only twenty thousand wireless subscribers in the country. He expected to implement the U.S. model in Mexico: "In the U.S., we were getting seventy dollars per subscriber, per month." Slim told him that such a plan would never work in Latin America; twenty dollars was more realistic. "He was a zealot on this," Stephenson says. "Around the world, telecom has evolved as a monopoly business, where you look at your cost, then set prices based on your cost. Carlos comes into telecom with a hypercompetitive, capitalistic mentality, and says you've got to price these services to really penetrate and achieve deep demand. He was the first to really challenge our thinking." Slim, who had learned something about marketing from his cigarette business, decided to place low-cost telephones in discount and convenience stores. "The concept was to go to the customer, not wait for the customer to come to you," he says. He also came up with what he calls the Gillette plan, subsidizing the cost of handsets, which might be out of reach for many Mexicans, and making money off pre-paid calling cards, just as Gillette makes its profit from the blades, not the razors. Slim believes that Telmex was the first company to pair calling cards with mobile phones. "In the telephone business, volume is more important than price," he says. The cell-phone company that Slim eventually spun off, América Móvil, now has nearly two hundred million users in Latin America, and an average monthly revenue of ten dollars per subscriber. It is one of the most profitable telecom companies in the world.

In the mid-nineties, Mexico was once again facing a debt crisis, along with a high deficit and a lack of foreign-currency reserves. In December, 1994,



"He's in a meeting right now. Would you like to speak with his portrait?"

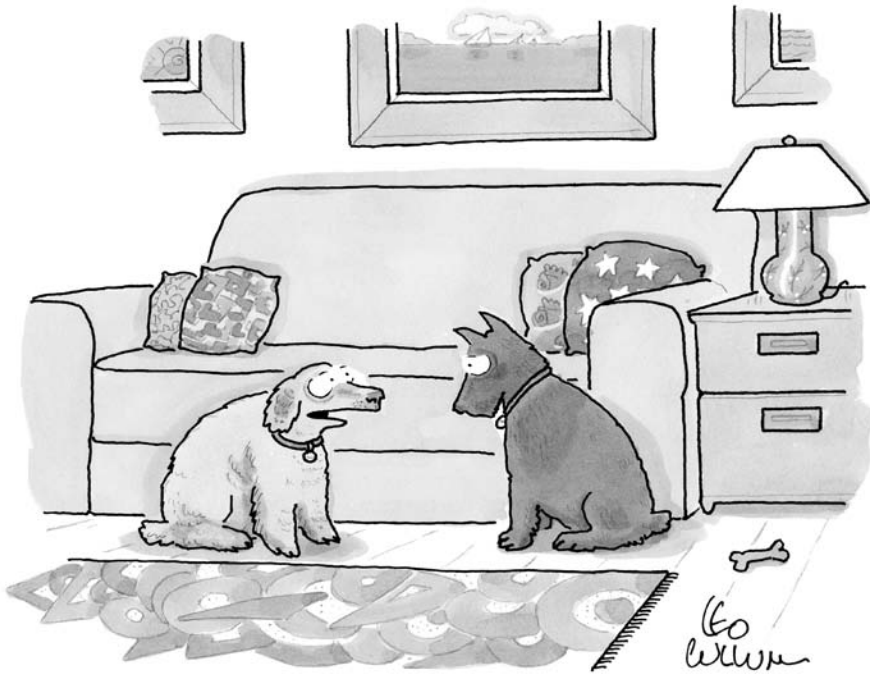
the government loosened control of the peso, and its value slid by forty per cent—a potential death blow to Telmex. Most of its expenses—the cell phones, the cable—were in dollars, but its revenues were in pesos. "That's when it got real interesting," Stephenson says. "We were all in Carlos Slim's conference room. I said, 'We've got to cut capital spending.'" At the time, Telmex was investing about two billion dollars a year; Stephenson proposed cutting expenditures to \$1.2 billion. "That felt pretty aggressive to me," he says. Slim said that he was going to cut back to six hundred million dollars. "The thought that you could scale down the spending levels that far was really bold," Stephenson says. "But, by golly, we did it. On a dime."

Slim learned one important lesson from the peso crisis: as a hedge, he began pegging Telmex's interconnection rate to the dollar, effectively passing the cost of devaluation on to his rivals. "It's been an incredible windfall for him," a competitor told me. "The peso has been devalued by thirty per cent in the past six months alone."

In the late nineties, the Mexican government began establishing regulations to offset Telmex's increasing power, but

they had little effect. Roberto Newell, the head of the Mexican Institute for Competitiveness, a think tank, acted as a consultant to the government during the privatization of Telmex. He recalls, "In privatizing Telmex as a monopoly to gain value, we made the wrong assumption—that the Mexican executive branch would be strong enough and competent enough to push back if the monopoly got out of hand. We should have known better." Instead, Newell contends, Telmex turned into "an enormous cash cow," which gave Slim the leverage to wade into other sectors of the Mexican economy and gain lopsided market shares. Newell recalls, "In the fiscal crisis, the Mexican government didn't even have the resources to hire a good lawyer. We simply didn't have the guns on board to face the de-facto monopoly we created before it became too large to stop."

During the peso crisis in 1995, Thomas Friedman reported from Mexico on the fifty-billion-dollar bailout sponsored by the Clinton Administration. The *Times* bureau in Mexico City was next door to Slim's office, on Paseo de Las Palmas, and many of the correspondents got to know him. Anthony DePalma, who was in the bureau at the time, accompanied Fried-



"Something is definitely going on. We're back to eating dog food."

man to an interview with Slim. "Slim invited us to his mother's house, in Polanco, which he keeps as a kind of museum," DePalma recalls. "He wasn't yet the richest man in the world, but he certainly was the richest man in Mexico, and he was as bowled over by meeting Tom as anybody I've ever seen." Slim insisted on showing his guests a chair that he broke when he was a child. "It wasn't the kind of thing you'd do unless you're really tied up with nerves," DePalma said. The men sat down for lunch—chicken mole, catered by Sanborns—and Slim held forth on Clinton and the bailout. He showed the reporters some photographs of a recent rafting trip he had taken with his sons; noting that he'd got banged up on the trip, he lifted his pants leg to show off some scabs on his shin. "It's a great story to see him as a robber baron," DePalma says. "But I also remember him as being a little starry-eyed by being that close to the *New York Times*."

Slim turned the S.U.V. onto Monte Líbano Street, named for the mountain range near his father's village in Lebanon. We began talking about the remarkable Lebanese community in Mexico, which includes, among others, the actress Salma Hayek—"one of the most beautiful women in the world," I

observed offhandedly. Slim grinned. "She's sexy, she's sensual," he conceded. "She's very short."

The historian Enrique Krauze had told me that Slim is "playful" on the subject of women. "He brags a bit." Since his wife died, Slim has been linked with several women, including Queen Noor of Jordan. "We're good friends," he says. It's unlikely that he will remarry. The loss of his wife is still too painful for him to talk about. Krauze said, "Soumy was like an Arabian princess—a woman with an angelic voice and manner and an unforgettable smile." He went on, "I saw Carlos a few days after she died. He said, 'I must stay rational or I'm going to lose my mind.'"

Slim turned into the gated driveway of a house that he uses as an office. In the garage was a 1941 Cadillac under a plastic cover. "My kids gave it to me," he said. "It's like the car I had when I learned to drive." We went into the dining room, where he often holds meetings. On the dining-room table was a wilted bouquet from the garden, a moldy lemon, a book about handwriting analysis, and a plastic replica of a Ford Crown Victoria, another car that Slim used to drive. He turned on an iPod that was connected to a small

speaker dock. His music preferences lean toward easy listening, but I also noticed an Elvis compilation CD. There was a bronze miniature of Rodin's "The Kiss" on top of a cluttered cabinet. Slim's Museo Soumaya owns three hundred Rodin sculptures—the largest collection outside France.

Slim quickly lost himself in a Merrill Lynch report. He had a red ballpoint pen and made tiny annotations on the page as we talked.

"What are you seeing when you look at that?" I asked.

"The numbers, they talk to me." Slim explained that the report showed the market penetration of mobile-telephone services around the world, over time. "Today, maybe eighty per cent of the population of Latin America has a mobile telephone," he said—a figure well above the sixty-five-per-cent market penetration in Canada, which, I noticed, had a small red circle around it. He drew a line under Mexico. "We had only 26.4-per-cent market penetration in 2004, and now it has grown to 80.5. Three-hundred-per-cent growth! Do you think that's bad for Mexico?" He rolled up the sleeves of his discreetly monogrammed pale-blue shirt. "Peru," he said, drawing another line; there market penetration had increased from 8.6 per cent in 2002 to 61.6 per cent last year. TracFone, a carrier he owns in the U.S., is now the fifth-largest mobile operator in the country. In Argentina and Brazil, the numbers told a similar story. "We are the ones that understand pre-paid the best," Slim said.

Slim's monopoly on long-distance calls in Mexico ended in January, 1997, but his telecommunication companies remained overwhelmingly dominant. "The common wisdom is that privatization created monopolies," former President Salinas, who left office in 1994, told me. "But nobody ever looked at what happened after my administration ended." Telmex still owns about ninety per cent of Mexico's phone lines and, according to the government, has long resisted sharing its network with competitors, even though it is legally obligated to do so. The Telmex spinoff América Móvil controls seventy-two per cent of the Mexican cell-phone market. Strictly speaking, neither of these businesses is a monopoly, but both exist as what Salinas calls "islands of privilege"—operating at a competitive

advantage that makes it nearly impossible for other companies to gain market share. And yet that is true of nearly every key industry in Mexico. The World Bank, which in 2007 published a study of the slow-growing Mexican economy, asserts that monopolies, both public and private, are the country's main obstacles to economic growth and business development. Mexico is one of the worst countries in the world in terms of competitiveness, and the costs of natural gas and fuel oil are among the highest in the world. Electricity costs as much as sixty per cent more than it does in the U.S.

These industries are government monopolies; the World Bank report singles out Telmex as "a private monopoly," noting that its telephone charges are significantly higher than those elsewhere in Latin America. Because Telmex controls nearly all the landlines in Mexico, it has historically been able to charge a very high interconnection rate—the charge that one carrier bills another to complete a call to one of its customers. In 2008, the company made nearly half a billion dollars in gross profits on interconnection charges.

For more than a decade, government regulators and Telmex lawyers engaged in a battle that resembled Mexican free-style wrestling: there was a lot of exciting action, but nothing much happened. In 2006, however, the administration of the newly elected President, Felipe Calderón, made a push to reform the telecom sector. That year, Rafael del Villar, who was then Under-Secretary of Communications, along with his boss, Luis Téllez, the Secretary of Communications and Transport, demanded that Telmex slash its interconnection rates for landline and mobile calls. "Telmex fought this resolution bitterly," Villar told me. "It even took actions to put the minister and me in jail." (Telmex acknowledges that it attempted to prevent Téllez and Villar from enforcing the resolution, but says that imprisonment was not the company's goal; eventually, a court ruled against the company.) A former Telmex lawyer told me that the company's legal strategy was to challenge every decision that the regulatory agencies made, thereby delaying enforcement. "We obtained more than two hundred injunctions," the lawyer said. "We created an incredible legal

and procedural mess." Telmex competitors have also been threatened with legal charges. One of Slim's telecom rivals told me, "I know of at least two executives who had to leave the country for a while to avoid an arrest warrant that Telmex got from a judge. They've created a culture of fear that has paralyzed the industry." (Of the men who left the country Slim says, "Maybe they did something bad.")

Francisco Gil Díaz, who is currently the head of the Mexican division of Telefónica, the Spanish telecom giant, criticized the tactics of Slim's companies at a meeting in Washington last year. "We have a state within the state, a power within itself that can influence and block policies to its advantage," he said. When Telefónica launched a national mobile-phone service in Mexico, in 2002, it attempted to attract new customers with the now familiar approach of selling highly subsidized handsets. But the handsets were swept up and resold, creating a huge loss for Telefónica. In 2005, the company filed a formal complaint against América Móvil, claiming that it was responsible for the reselling scheme. Slim denies this, but an investigation is ongoing. Slim blames Telefónica for its naïveté. "When you are selling handsets at twenty dollars, and their actual value is sixty dollars, there are going to be a lot of dealers repackaging them," he says.

By 2000, it was clear that the frontier for telecom lay in broadband communications, but few Mexicans owned computers. Slim began selling computers that could be paid for in installments on the monthly telephone bill; by his own calculations, he has become the leading computer dealer in Mexico. Despite the fact that Telmex lines were set up for voice transmission, Slim has wrested the broadband market from his competitors. "In 2003, the cable companies had forty-three per cent of the market, and we had forty-two," he said. "Since then, they have grown fifty per cent a year, and we've grown ninety per cent." According to the Organization for Economic Coöperation and Development,



Mexico's broadband is one of the slowest and most expensive of its member states.

"People like Slim don't seem to agree that monopolies or oligopolies hurt the country," Benito Ohara, the president of M.C.M., a telecom provider in Mexico City, told me. "Here in Mexico, you have monopolies in electricity, water, transportation, steel, television, radio, bread, and beer—and so companies are saddled with these humongous costs. The only line item that you can control as a small Mexican businessman is salaries. That's why Mexican workers are paid so little." Investment is discouraged, Ohara said, because monopolies have no incentive to spend their capital, and potential investors don't want to fight entrenched interests. "The last thing anybody wants is to invest in an industry where Slim is," Ohara added. "They know he's going to beat the crap out of them."

Slim has compiled a list of ten principles that form his business philosophy. Many of them go back to his father's lessons. The first principle is to keep corporate structures simple. Although Slim controls hundreds of companies, he doesn't have a corporate headquarters; typically, the chief executive of each company remains near the sales force or the factory floor. Another rule relates to "maintaining austerity in good times." Telmex's headquarters, for instance, has been in the same cinder-block building ever since Slim took control of it, nineteen years ago. Many of the government-issue Formica desks are still in use. It's a pointed contrast with the majestic Telefónica tower across town—or the gorgeous Times Building, for that matter.

Even Slim's adversaries admire his purposefulness and the ways in which his companies embody his character. "He's ruthless, yes," Roberto Newell said. "Totally amoral, perhaps. Immoral, no." But he admitted, "I don't know whether to love him or hate him. I'm just fascinated by his competence."

One afternoon, I had lunch with a group of Mexican businessmen. All had done business with Slim or his companies—it was nearly impossible to avoid—and none of the men wanted to be quoted by name. One claimed that he had been directly threatened by Slim's

employees: "Two guys came to my business and said that if we didn't take down our microwave link Telmex was going to cut all our telecommunications." (Slim doesn't remember the incident, but says that it would have happened only if the business was using microwave links as an unauthorized bypass, "making long-distance a local call.")

Many of my lunch companions marvelled at Slim's business instincts. "He bought into Brazil at just the right time," an investment banker said. "He bought into Argentina right after the 2001 crisis, and now he has forty per cent of the mobile business. Same story in Colombia. Brilliant."

A former Slim employee said, "He just used the free ride he got twenty years ago from the Mexican government. If you call that brilliant, it's brilliant."

"But this country is full of people who got free rides and went bust," the banker observed. Many heads nodded.

The banker then recalled, "Slim was shopping in New York, and he went to Saks." The other men smiled, knowing what this really meant: Slim went shopping *for* Saks. "He estimated the square footage of the building, then he called a friend and asked about the value of real estate on Fifth Avenue. He calculated that the stock was valued at a fraction of what the building alone was worth! So he put in an order to buy." By the end of November, Slim had accumulated twenty-five million shares, amounting to seventeen per cent of the company. ("It was clear that the price of the stock was lower than the real-estate value," Slim says. "It was a good company with a very good brand.") That month, Saks renewed a "poison pill" provision that prevents any shareholder from acquiring twenty per cent or more of the company.

Slim's entanglement with Saks was not the first time that he had ventured into the U.S. for a major purchase. He had been a principal investor in CompUSA, the computer retail chain, which filed for bankruptcy in 2007. "He has to turn elsewhere to make his investments," a Mexican columnist told me. "He's running out of things in Mexico to buy."

I asked the men if they held Slim responsible for the faltering Mexican economy. "It's ridiculous to say that Slim is responsible for Mexico not growing,"

THE ANIMALS

A "domesticated bearded dragon \$400"
is not my idea of an animal companion.
A calf asleep on a double bed, perhaps,
or a hare with long ears
crouched under a mahogany sideboard,
thumping the floor.
Or a koala that climbed up a four-poster bed
surprising a seventeen-year-old in her nightie.

They were here before us—the animals—
and we were once them.
Without understanding we watched the sunrise
and the coming of night,
registered the changing of seasons
and dew on leaves that brushed our flanks.
We, the animals,
knew feelings, had a memory,
exchanged sounds and visual cues,
but did not know
what came before
or ask what was to come.

A neighbor sleeps with a wombat in her bed,
and her husband sleeps on the veranda.
Kangaroos watch TV through her sitting-room window.

one man offered. "The public-sector monopolies are much more problematic. They are all extremely inefficient and corrupt."

Wasn't Slim merely a product of the Mexican system? "He is a product of the system," another man said. "Until one day the system becomes a product of him."

In March of last year, Luis Téllez, the Secretary of Communications and Transport, convened a secret meeting between Slim and President Calderón, at Los Pinos, the Mexican executive mansion. Téllez hoped that the government and Slim could, in a statesman-like manner, work out a grand plan that would open the communications sector to increased competition; in return, the government would offer Slim something that he desperately wanted—television.

Under the original terms of the Telmex privatization, the company was prohibited from offering television service. At the time, the government was

more frightened of another rapacious Mexican titan, Emilio Azcárraga, who controlled Televisa, Mexico's leading television network. In part, Telmex was set up to act as a counterweight to Televisa. The two entities were considered too powerful to be allowed to mix together. Since then, however, the distinction between telecommunications and television has blurred. All over the world, there is a fierce contest between cable, D.S.L., satellite, and Internet service providers to offer voice, data, and television packages to their customers—what is known in the industry as the "triple play." In Mexico, Telmex is the only telephone company forbidden to enter the fray.

Even Mexican regulators recognized that the Telmex restriction was obsolete and actually worked against the competitive business environment that they had hoped to create. "Televisa feels menaced by Slim's entrance into television, which is good news for competition," Villar, who is now a commissioner at the Federal Telecommunications

Bottle-fed joeys get osteoporosis
if the composition of the milk isn't right.
The females make better companions.
With shy brown eyes
they hop along beside you
as you collect mail from the gate at dusk.

We were once them,
and now are their custodians.
They know we are different
and their eyes tell us to keep our promise.

Bill came home after a fortnight away.
Potted plants had been kicked off the veranda,
there was an awful smell,
and the front door was ajar.
Inside the house
chairs were overturned,
papers and cushions trampled on floors,
and in the bathroom,
wedged against the washbasin,
her putrid flesh held together by hide,
Twinkle, a pony.
A tractor winched the body out.

—Geoffrey Lehmann

Commission, told me. "I'm happy these guys don't like each other."

The meeting at Los Pinos took place around a large U-shaped table. On one side were Slim and his team, including his son Carlos, Jr., who runs the family holding company; his nephew Héctor Slim, who is the C.E.O. of Telmex; his son-in-law Danny Hajj, who runs América Móvil; and another son-in-law, Arturo Elías, who is Slim's spokesman. On the other side of the table were Téllez, Villar, and two expert witnesses. The President sat in the bend of the U. Villar, whose efforts to bring Telmex to heel can seem evangelical, presented the government's demands. "We're going to let you into TV, Carlos Slim, but first we have to agree on a set of terms," Villar said. The terms included reasonable interconnection fees, reducing long-distance costs, sharing the Telmex infrastructure, and eliminating the practice of rounding up the charge for a call to the next minute. The revenue that Slim's empire would lose if he agreed to these concessions far ex-

ceeded the value of the entire television business in Mexico.

In response, Slim's team presented figures suggesting that interconnection rates in Mexico were competitive with those of other countries. As for opening up the Telmex infrastructure, Slim's team argued, such an approach had been tried in the U.S. after the breakup of A. T. & T., and the result was diminished investment in updating equipment.

For two and a half hours, the participants wrangled, to the point that the President had to ask them to settle down. According to three participants, Slim was so angry that he threatened to sell Telmex. Slim denies that he said exactly that: "I said, 'Tell me what you



want. If you want me to sell, O.K. If you want us to divide it into two parts, three parts, O.K.' " He added, "The only thing we will not do is destroy Telmex."

The meeting ended in a stalemate. Despite the government's opposition, Slim quickly found a way for Telmex to offer television service, through a commercial agreement with a satellite-dish provider, but he still can't deliver it himself. That will change, he assured me, "sooner rather than later."

Denise Dresser is a writer and a professor of political science at the Autonomous Technological Institute of Mexico, and one of the country's best-known columnists. She spent several years studying and working in Los Angeles, and returned to her homeland in 2002. "I started studying why the Mexican economy doesn't grow," she told me. "So much led me back to Carlos Slim."

Dresser is slight and precise; she describes herself as having been "the top nerd" in school. When she returned to Mexico City, Dresser and her husband set up the same telecommunications system—four landlines, two fax lines, two cellular phones—that they had had in Los Angeles. They were surprised to discover that in Mexico such a plan cost three times as much.

Dresser began writing a series of highly negative articles about Slim and his effect on the Mexican economy. Until then, Slim had rarely been criticized in public. Dresser's articles shocked many readers, and they helped to frame the case against him. "He bought a monopoly and has turned it into an empire," she wrote in the newspaper *Reforma*, in 2005. "Carlos Slim has the best deal in the world, but the Mexican consumer has one of the worst."

After a dozen such attacks appeared, Slim invited Dresser to his office for a meeting. She was nervous, and prepared notes. She sat down at the dining-room table. Slim asked if she would like something to drink. "I'd like a glass of mineral water with ice," she said. He disappeared into the kitchen and returned with a can of water. Dresser was put off by his informality. "Mexico is a place of such grace," she says. "You would ex-

pect a glass on a platter with a napkin.”
“So,” Slim said. “You don’t like me.”
“I don’t really *know* you,” she said, then added, “You look thinner than your pictures.”

Dresser pulled out her notes. She said to Slim that Telmex was a modern business, thanks to his efforts, but its services were too expensive. The lack of competition and the high cost of telecommunications were blocking progress and inhibiting innovation. He competed perfectly well in other countries, so why not foster competition in Mexico, rather than being a bottleneck?

“You understand numbers, don’t you?” Slim asked, as he dumped a pile of documents in front of her.

“I didn’t expect him to be so boorish,” she recalls. “When he shoved those papers at me, I wanted to cry. I said, ‘Don’t speak to me that way! I’m not your wife or your daughter or your employee! I’m a Mexican citizen with rights! And I came to talk about what is best for Mexico.’”

According to Dresser, Slim immediately softened. She went over her points,

telling him that he had become the emblematic figure of crony capitalism in Mexico. “He didn’t understand the term,” she says. “It was as if he had never heard these arguments before.”

“So, you want me to give away market share,” Slim summarized.

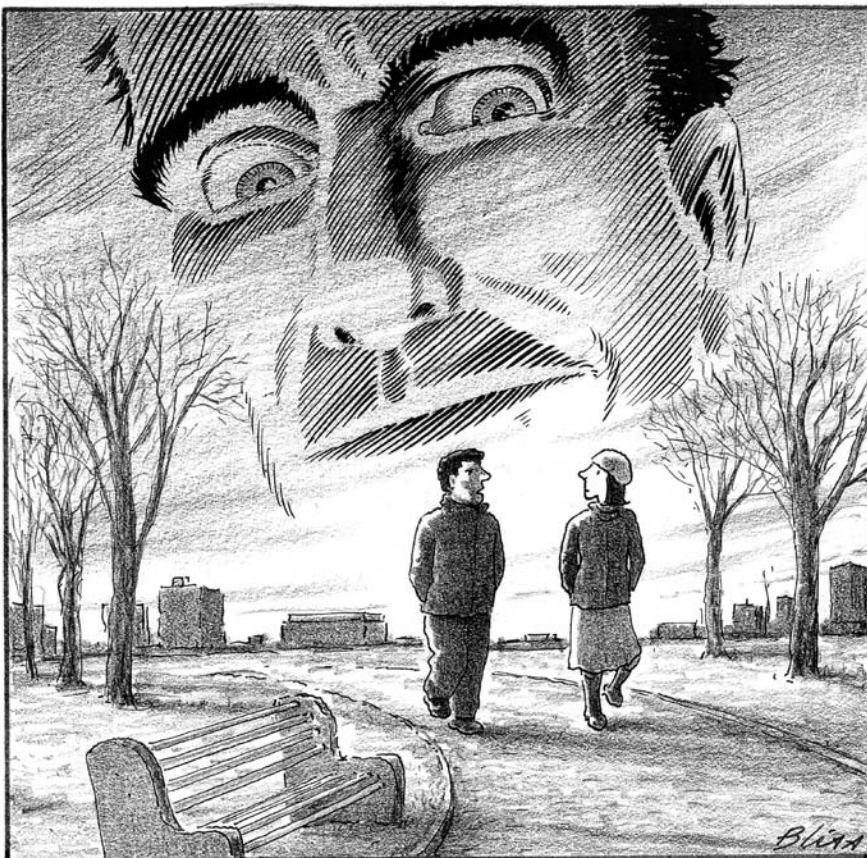
“No, I want the pie to grow,” she said. “Maybe your slice will be smaller, but the pie will be bigger for everyone.” Then she appealed to him to become “the Bill Gates of Mexico,” by giving away a sizable portion of his wealth. (To date, Gates has donated more than twenty-seven billion dollars to charity.) Slim and Dresser talked past each other for two hours, and then he walked her to the door. “I respect you,” he told her.

Slim had already founded several charitable organizations, although he admitted to me, “I don’t believe in charities too much. . . . They can make you popular . . . but you don’t solve any problems.” Aside from his art museum, he has created the Telmex Foundation and the Carlos Slim Foundation, which have rather diffuse mandates. Through

the Telmex Foundation, he has provided a hundred thousand computers to public schools, nearly two hundred thousand scholarships, seventy-eight thousand pairs of eyeglasses, and two hundred thousand bicycles, and has paid for nearly four hundred thousand surgeries; he also supports more than a hundred thousand soccer teams. The Carlos Slim Foundation has pledged, through Bill Clinton’s foundation, a hundred million dollars aimed at reducing poverty in Latin America; and a hundred and ten million to a foundation, affiliated with the pop star Shakira, that helps Latin-American children. Slim has also set up a fund to bail out impoverished prisoners who have committed petty crimes. But those efforts didn’t impress Dresser. “What he gives back with one hand does not compare with what he has taken with the other,” she said. In March, it was announced that Slim was giving his charitable foundations six billion dollars’ worth of stock. Dresser still wasn’t mollified. “The mere fact of its being tied to his business ventures seems an example of his small spirit,” she said.

Some of Slim’s donations do have the appearance of self-interest. In 2004, Slim negotiated a deal with the government: Cigatam and other cigarette companies would give the Health Ministry nine cents for every cigarette pack they sold. This was to go to public-health programs for tobacco-related illnesses. This placed the ministry in the awkward position of depending, in part, on cigarette sales for its funding. That arrangement has since been shelved.

In 2000, federal and local authorities asked Slim to undertake the renovation of Mexico City’s historic downtown, which had never recovered from the 1985 earthquake. Many beautiful sixteenth-century buildings were heavily damaged; shops and businesses had abandoned the neighborhood, leaving it to thieves, prostitutes, and addicts. Fifteen years of corrupt and feckless government oversight had left the area desolate and dangerous. Slim’s response illustrates his approach to social welfare. He bought a number of properties and retrofitted them as apartments, which he then offered to his employees at low rents. As is typical of a Slim development, the renovations were not elabo-



“Sometimes I get the feeling your ex is still in the picture.”

rate, but they were tasteful. Soon, other developers began coming into the area. Restaurants and coffee houses and jazz clubs sprang up. Tourists returned. New jobs were created. Property values increased, as did Slim's bank account.

Inside the gated house, Slim showed me some photographs of a recent birthday party. He had just turned sixty-nine, and was surrounded by his friends and children and grandchildren. In the photographs, he was wearing an Elvis outfit, complete with jewelled sunglasses and a blow-up plastic guitar. He looked really happy.

In October, 1997, Slim travelled to Houston to have a heart valve replaced. "It was not an emergency," he says, but after the surgery the new valve ruptured, and he suffered a severe hemorrhage. "They gave me a hundred and thirty bags of blood," he says. He stayed in Houston to recuperate. Few people knew about the surgery, but six weeks later there was a report in a Mexican newspaper that Slim had died of a heart attack. The stock prices of his companies momentarily plunged.

Slim's children were already in positions of authority in the family empire, but since his heart operation he has relinquished control over the daily operation of his many enterprises. "My job is to think," he likes to say. Meanwhile, he stays very close to his family. Every Monday night, he hosts dinner for his extended clan, and on weekends they often gather to watch sports on television. Like the Sulzbergers, the Slims clearly intend to keep their empire to themselves.

While we were going through the party photographs, I asked Slim why he had invested in the *Times*. "We think it's the best newspaper," he said. "The best brand. . . . We believe in media content. We think paper will disappear, but not the content. The content will be more important." I asked him if he read the *Times*. "Only when I'm in the U.S.," he admitted.

Before investing in the *Times*, Slim bought a portion of the British company that owns the *Independent*, but that was a mistaken investment, he said—"a bad one." In our conversations, Slim repeatedly said that he wasn't interested in producing content.

"Our business is to be the carriers," he said, emphasizing that he did not intend to be the future owner of the *Times*. "If I wanted to buy a newspaper, I would have done that fifty years ago. . . . Don't make me get involved in silly things." When I pressed him to discuss what he would do if the paper declared bankruptcy, he refused to acknowledge the possibility. He declined to say more on the record about the *Times*.

During my most recent visit to Mexico, President Obama passed through the country, on his way to a meeting of the Organization of American States. On April 16th, Slim, along with a hundred or so other prominent Mexicans, attended a dinner in the President's honor. Mexico City was then in the midst of the swine-flu epidemic, although the virus had not yet been identified. (Nobody in Slim's family was affected by the illness.) Obama asked Slim to visit him the next time he was in Washington. According to Enrique Krauze, who was at Slim's table, Obama said to Slim, "Make sure you talk to Larry Summers before you go, because we need your advice." (Summers, who is the director of the National Economic Council, was also at the event.) Slim did speak to Summers, and although what he said to him is private, he told me that "this crisis is the same one as 2000 and 2001." The bursting of the tech-stock bubble, followed by 9/11, had created a major slump in the American economy. Slim said that the U.S. government had "used all its resources to stop that, including two wars." The Federal Reserve dropped interest rates from 6.5 per cent in 2001 to zero in 2008; the Bush Administration cut taxes and increased spending. "All the tools that can be used, you used in 2003," he said. When the economy improved, though, the American government failed to adjust its fiscal policies, prompting an unsustainable boom in the stock market and in real-estate prices. "What was a crisis that could be managed has become a hard crash," he said.

In Slim's opinion, neither the Bush nor the Obama Administration responded with the right incentives to cope with the crisis. His own recipe: "First, stabilize the financial system. Instead of talking about toxic assets and other in-

vestments, you should recapitalize the banks through the public sector, using convertible bonds or preferred stocks." That would bring the credit markets back to normal, which is essential. "Credit, credit—you cannot stop the credit!" he exclaimed. "Credit is the contact with the real economy."

Next, he said, he would give more support to debtors, especially on mortgages for first-time home buyers, "to avoid the social consequences of this crisis." He expected double-digit figures in unemployment, and predicted that the U.S. economy will shrink by four or five per cent between October of 2008 and September of 2009. "There are more Chapter Elevens to come," he said.

If the problems are as dire as Slim's forecasts, then the economic crisis will be the greatest challenge of his long career. As usual, he is taking advantage of his cash-rich business to expand his empire during the downturn. He has announced that he expects to add more than thirty thousand jobs this year, at a time when few businesses in Mexico, or anywhere else, are prospering. "A businessman once asked me, 'How do you decide on your investments? Is it the P.E.?'—the price-to-earnings ratio—" 'or the assets?' " Slim recalled. "I said, 'It's the potential for profit. I invest for the long term, not the short. If you buy something because it's cheap, that's only speculation.'" He is concentrating now on real-estate development and infrastructure, and on making investments in Latin America's 3G mobile telecommunications network. He is expecting to emerge from the crisis, whenever it ends, with a significantly greater market share, in Mexico and elsewhere. Investing now will give him an advantage over competitors who are hunkering down or who don't have the liquidity to exploit the situation. Seen in this context, Slim's investment in the *Times* is a bet on the long-term value of the journalism business. "I think content and information are important for our new civilization," he says. If the *Times* emerges, as some observers think it will, as one of the few major news sources in English, then Slim may find himself in a familiar spot: putting his money on a monopoly. ♦

