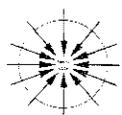


You call this a
DEMOCRACY?



**WHO
BENEFITS,
WHO PAYS
AND
WHO
REALLY
DECIDES**

PAUL KIVEL

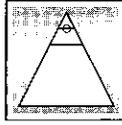
Illustrations by **ALBERTO LEDESMA**

With a new foreword by **JIM HIGHTOWER**
and a **WORKSHOP/STUDY GUIDE** *and*
AFTERWORD *by the author*

2004



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WHAT DOES THE ECONOMIC STRUCTURE OF THE U.S. LOOK LIKE?

Who Makes Up the U.S. Ruling Class?

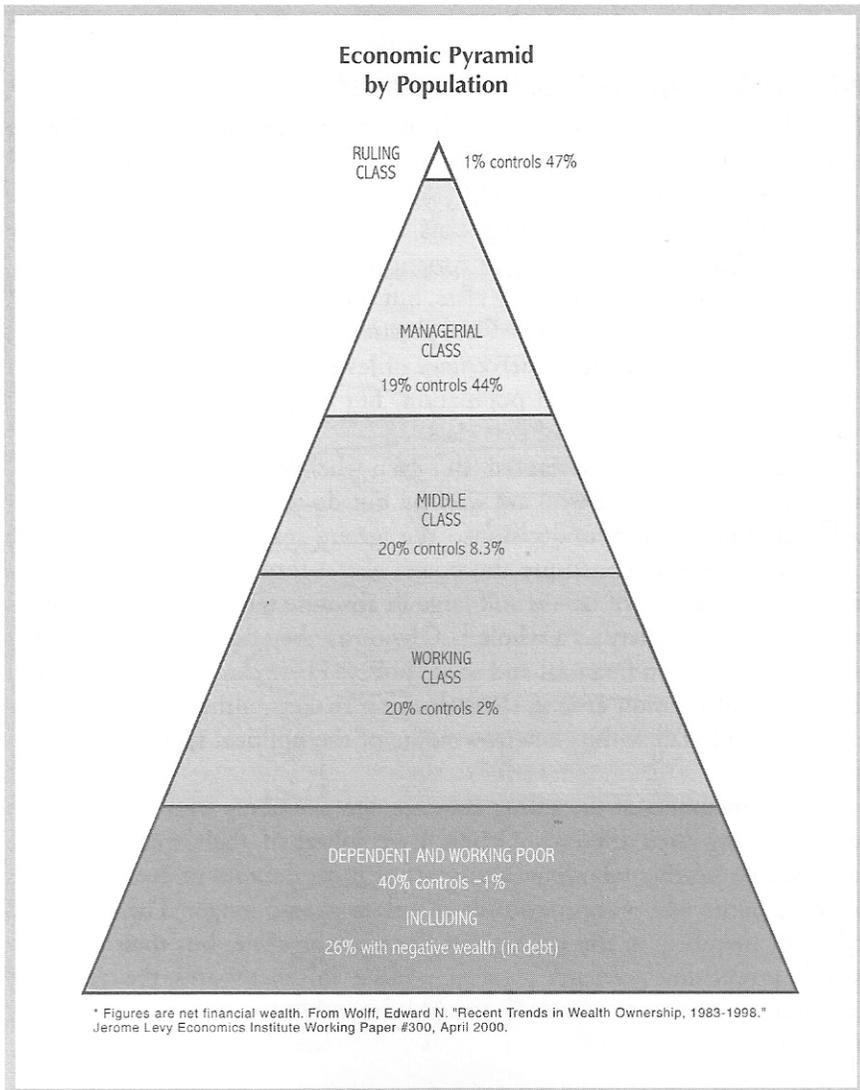
The ruling class in the United States is about 1 percent of the population, or approximately 2.9 million men, women, and children. These families have incomes starting at about \$373,000/year (1999) and/or net worth of at least \$2,045,000. Most of the ruling class is white and it is predominantly Christian. There are some African Americans, Asian Americans, Latinos/as, and Arab Americans in the ruling class, but they are few and far between and rarely in positions of power. There are practically no Native Americans in the ruling class. There is a higher percentage of Jews in the ruling class than their representation in the general population, but despite the stereotypes, they still constitute a small part of that class.¹⁵

The ruling class is substantial. But even when you subtract from it children, women, and men who are wealthy but do not participate in making political and economic decisions, the group of predominately white Christian men who constitute the power elite—those who make the decisions that impact all of us—is still large in absolute terms although small in relation to U.S. society as a whole.¹⁶ Obviously they don't all meet in a big room and decide on financial and social policy. There can also be widespread differences of opinion among these decision makers, although these differences generally fall within a narrow range of the political spectrum on economic issues.

Some members of the ruling class are new members who have built up wealth during their lifetime. Others have inherited their wealth and are members of families who have been part of it for decades or even hundreds of years. Some who were previously members are no longer. The styles and values of members of the ruling class change over time, but their access to wealth, power, and influence remains in place. In other words, the class itself continues to dominate over time even as its membership fluctuates somewhat in size and composition.

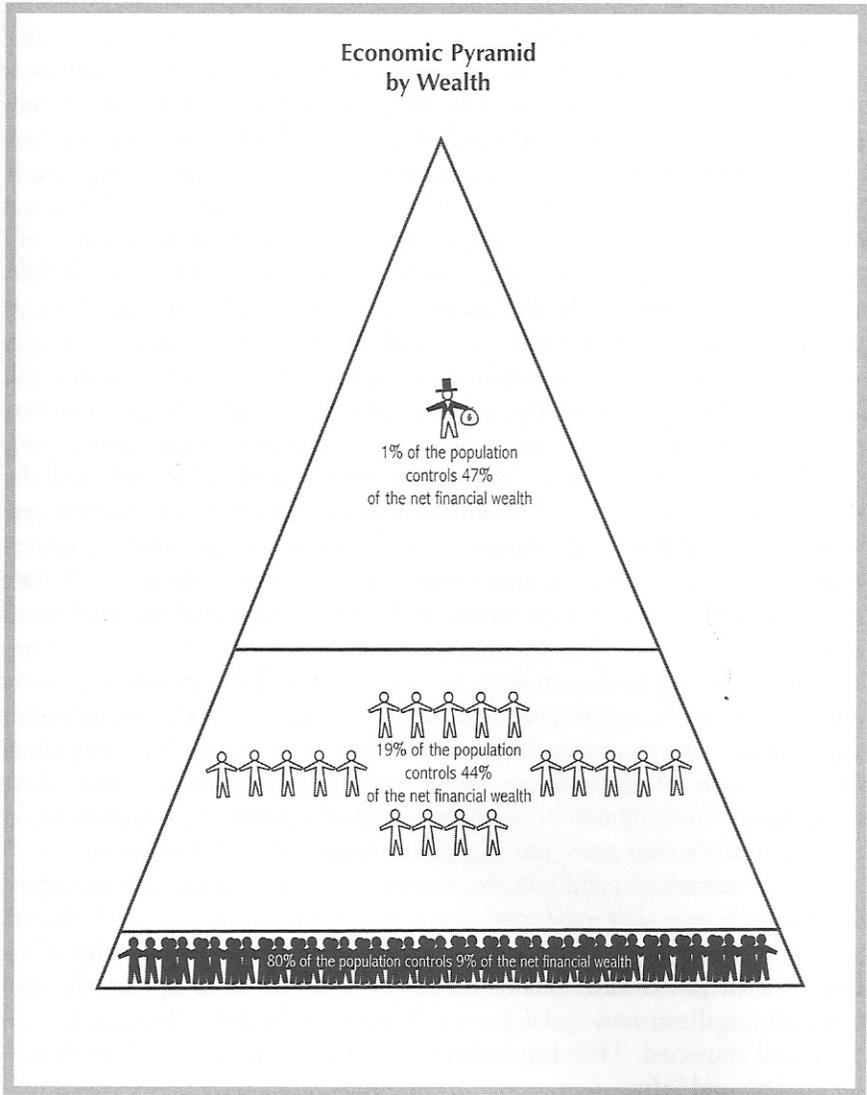
The Managerial Class

The ruling class makes up only 1 percent of the population and they would be hard pressed to run all the important institutions in our society by themselves. They have set up a system to reward some people with money, education, and other privileges to work for them. (In some sense we all work for them, we just are not rewarded for it and we do not have managerial jobs.) This group consists of the next 19 percent of the population. The managerial class includes families with incomes above \$94,000 (average income is



\$258,000) and net financial worth of at least \$100,000.¹⁷ The wealth part of this definition is the important part. People may have a combined family income of \$94,000 and might even own their own house, but without financial wealth they don't have the opportunities, resources, and influence that those with wealth do.

I refer to this class as the managerial class because the organizations and people (paid and volunteer) that the ruling class relies on to serve its needs are run (or managed) by members of this class. They are the non-ruling-class



large business owners, corporate managers, foundation directors, corporate lawyers, doctors, architects, elite university professors, diplomats, politicians, and others who are generally paid a lot to carry out policies that benefit the ruling class.

It is not their occupation, but their high income and wealth and access to other resources that define these people and their families as members of the managerial class. In other words, corporate lawyers, but not all lawyers, elite university administrators and professors, but not all university administrators and professors, are members of the managerial class. Some members of the managerial class become so successful that they are able to accumulate enough wealth to enter the ruling class.

Many members of the managerial class are trained in professional programs at specialized graduate schools that provide them with ruling class values and an understanding of ruling class interests. These programs also screen out those who will not be reliable in serving the interests of the ruling class.¹⁸ Other members of the managerial class could be successful small business owners, large independent farmers, consultants, directors of large non-profit organizations, or higher level administrators in local, state, or federal offices.

There are many people who manage or supervise others who are not part of the managerial class because they don't share the high levels of income, wealth, and influence that those in the top 19 percent do. They may be small business owners, school principals, lower- or mid-level administrators or government employees, or management staff of small- or mid-level non-profits.

The top 20 percent or owning classes, (the wealthiest 1 percent and the next 19 percent), consist of about 22 million households, or somewhere around 55 million people. Because of their numbers, and economic, educational, and social advantages, members of the owning classes, with rare exceptions, fill all the top positions in the most influential institutions of our society.

This entire segment is predominately white and Christian, although there are certainly significant minorities of people of color, Jews, fairly recent immigrants, and other groups in the owning classes. Due to housing segregation, job discrimination, glass ceilings, and increasing educational disparities, there is rapidly diminishing economic and educational opportunity for poor, working, and middle class people to join the managerial class at the present.

There are many people in the managerial class who are not managers. They may have a wide variety of jobs, occupations, and lifestyles. Whatever their personal lifestyle and values, the decisions that are made by the ruling class and the power elite usually benefit them economically, politically, and culturally in direct and specific ways. Their work is generally valued, well-paid, and respected. They live in better, less toxic neighborhoods, with better services and infrastructure than most others. They have better education-

al options for their children than most, and their lives, interests, and points of view are reflected in movies, TV, magazines, and most mainstream culture.

Members of the managerial class may choose to work against their class interests, or to disavow the benefits they have available to them. But just as with members of the ruling class, their choice to do this reflects their privilege.

The Bottom of the Wealth Pyramid

Below the owning classes there is a distribution of white people and people of color, men and women, Christians and Jews, Muslims, and Buddhists, seniors, middle aged, and youth, people with disabilities, heterosexuals and lesbians, gays, bisexuals, and transgendered people. But the people with least power are the people with least wealth. For example, the people at the bottom of the pyramid, those with zero or even negative wealth (they are in debt), are primarily children and seniors, women, men and women of color, people with disabilities, recent immigrants, Native Americans, and the poorest white people.

The Power Elite

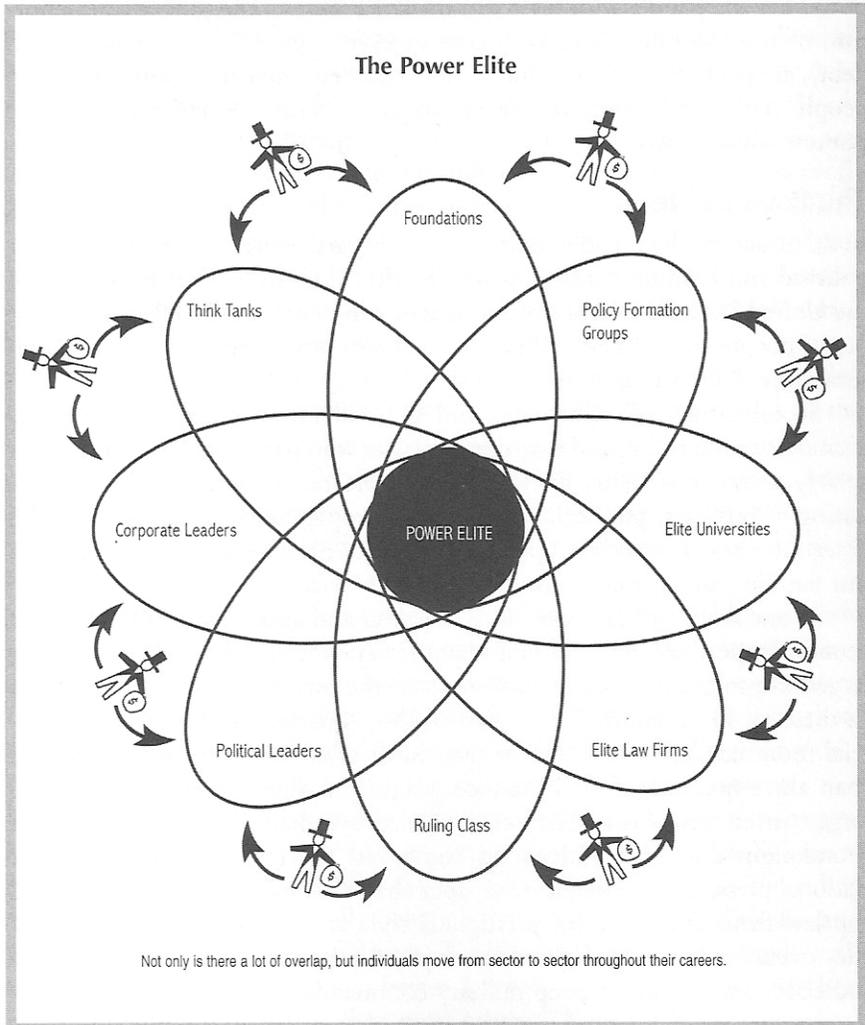
In a democracy, the broad majority of people participate in making the major political and economic decisions which affect their lives. That is not true in the United States. We have a social structure in which a relatively small number of people are in unelected positions of vast power, and who act as representatives of the ruling class.

Sociologists C. Wright Mills and G. William Domhoff¹⁹ refer to the members of the ruling and managerial classes who participate in running our society as the power elite. They are the “nonelected, self-selected, self-perpetuating”²⁰ business, political, social, philanthropic, and cultural leaders who determine how our society operates, and who make decisions that affect us, our families, and our communities on a daily basis.²¹

In one study of 7,314 positions of power and authority in the dominant economic, political, and cultural organizations (5,303 of which were in the largest corporations), nearly all were from the owning classes.²² The people in these positions controlled “...almost three-quarters of the nation’s industrial (nonfinancial) assets, almost two-thirds of all banking assets, and more than three-quarters of all insurance assets, and they directed the nation’s largest investment firms. They commanded over half of all assets of private foundations and universities, and controlled the television networks, the national press, and the major newspaper chains. They dominated the nation’s top law firms and the most prestigious civic and cultural associations, and they occupied key federal government posts in the executive, legislative, and judicial branches, and the top military commands.”²³

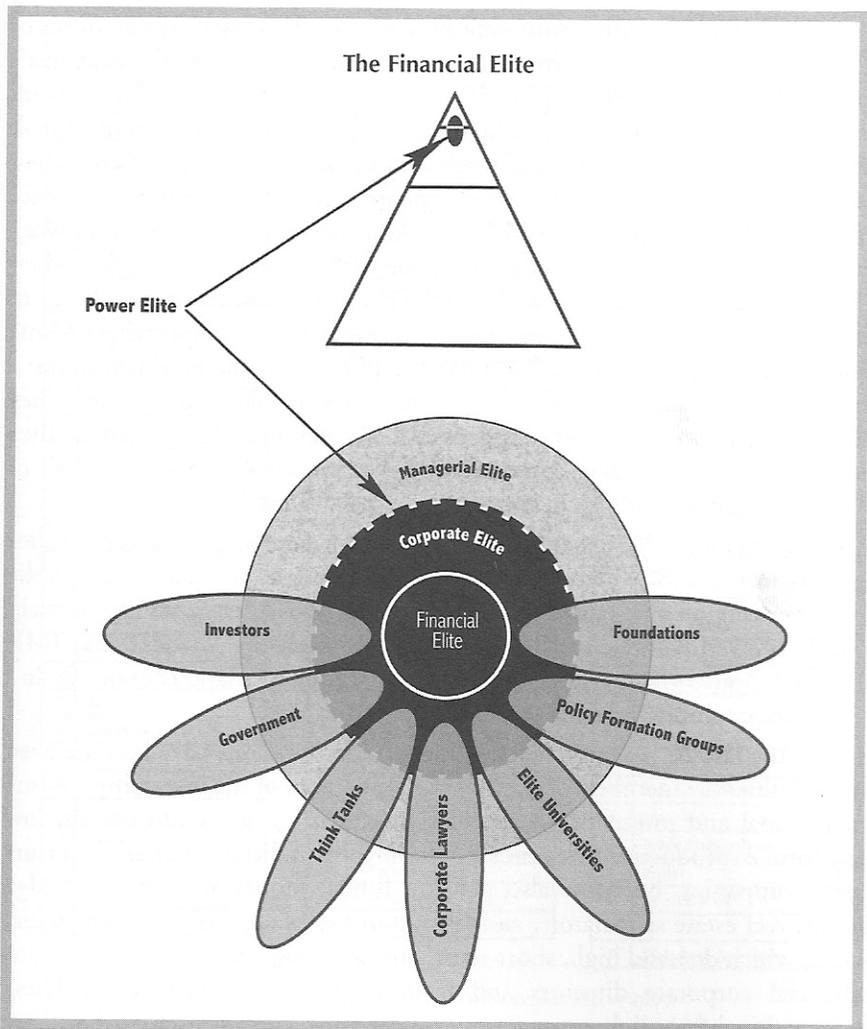
A recent study by researchers Zweigenshaft and Domhoff of the social backgrounds of people in the highest positions of decision making in corporations, the executive branch of the federal government and the military, concluded that this "core group continues to be wealthy white Christian males... [who] have been filtered through a handful of elite schools of law, business, public policy, and international relations."²⁴

There are some white women, some white Jewish people, and a few men and women of color among the power elite. They tend to be wealthy themselves and generally share the same values and education that the Christian white men in this group do. Fewer than 1 percent of the CEOs of Fortune 500 companies are women or people of color.²⁵ Some corporations and gov-



ernment organizations, recognizing the need to look diverse, are selecting more white women and men and women of color to be in the top ranks, but without actually changing their overall culture or practices. One commentator summed up this appearance of diversity by saying "...corporations [are] run by ruling class white boys, some of whom are female and colored..."²⁶

Surrounding the power elite are 20–30,000 corporate and other institutional managers and directors who provide the interface with the managerial and ruling classes. They communicate and implement policy, direct operations, supervise mid-level managers, professionals, and consultants, develop strategy, and communicate and advocate for the decisions of the power elite to the media and to the managerial and ruling classes.



The Financial Elite

The managers and directors of the largest U.S. corporations, who control some of the most extensive financial entities in the world, sit at the center of the power elite. Many of these people command resources equivalent to small or even medium sized countries. Of the 100 largest financial entities in the world, 52 are corporations, not countries. General Motors, Wal-Mart, ExxonMobil, Ford Motor, and DaimlerChrysler each had 1999 sales that were greater than the GDP of 182 nations.²⁷

At the center of this circle of corporate elite are the managers and directors of the largest banks, insurance, and other financial companies which are mostly based in New York, Chicago, and California.

Governmental bodies, corporations, and countries need large amounts of financial capital (money for investment) to operate. The largest financial institutions have a pre-eminent place in the corporate and power elite network both nationally and internationally because of their accumulation of capital, their control over large blocks of stock through their trust departments, their extensive information, research, and evaluation capacities, their central place in the extensive corporate board interlocking network, their ability to work together to create loan consortia (group loans)²⁸ and direct capital flow, their ability to facilitate takeovers and shareholder rebellions, and their ability to influence prices and interest rates, among other factors. Researchers Mintz and Schwartz conclude that, "... a handful of centrally placed financial institutions have dominated capital-investment decision making for decades. They directly control a significant proportion of all stock that changes hands; they lead a majority of lending consortia; and they are involved in almost half of all large financial holdings in major nonfinancial firms."²⁹

The financial elite are able to influence short- and long-term capital allocations in the U.S. which, in turn, have tremendous economic and public policy effects on our entire society. Since the 1970s, their ability to yield equally powerful influence internationally through the World Bank, IMF, and WTO give them truly unprecedented power to shape economies and social policy throughout the world.

In the last 20 years, the largest financial corporations have become even more influential members of the power elite because of the increasing volume of national and international speculation which has grown to overshadow any form of productive investment. Not only the traditional banks and insurance companies, but now also pension funds, money market and hedge funds, real estate speculators, and private investors are part of the financial forces which demand high, short-term (and short-sighted) returns from non-financial corporate directors and from government policy alike. These transnational financial corporations have become so concentrated that three

banks (Citigroup, J.P. Morgan, and Bank of America) control about one-third of all U.S. banking assets; two insurance companies (Prudential and Metropolitan) control one-quarter of all insurance assets; and a handful of large investment firms dominate investment funds.³⁰

Finance is well-represented among the largest political contributors, within interlocking corporate circles, on the boards of think tanks, foundations, policy-formation groups, and in philanthropy. Even many of the direc-

Top 100 Economies (Corporations in Bold Italic)

1	United States
2	Japan
3	Germany
4	France
5	United Kingdom
6	Italy
7	China
8	Brazil
9	Canada
10	Spain
11	Mexico
12	India
13	Korea, Rep.
14	Australia
15	Netherlands
16	Russian Federation
17	Argentina
18	Switzerland
19	Belgium
20	Sweden
21	Austria
22	Turkey
23	General Motors
24	Denmark
25	Wal-Mart
26	ExxonMobil
27	Ford Motor
28	Daimler Chrysler
29	Poland
30	Norway
31	Indonesia
32	South Africa
33	Saudi Arabia
34	Finland
35	Greece
36	Thailand
37	Mitsui
38	Mitsubishi
39	Toyota Motor
40	General Electric
41	Itochu
42	Portugal
43	Royal Dutch/Shell
44	Venezuela
45	Iran, Islamic rep.
46	Israel
47	Sumimoto
48	Nippon Tel & Tel
49	Egypt, Arab Republic
50	Marubeni
51	Columbia
52	AXA
53	IBM
54	Signapore
55	Ireland
56	BP Amoco
57	Citigroup
58	Volkswagen
59	Nippon Life Insurance
60	Philippines
61	Siemens
62	Malaysia
63	Allianz
64	Hitachi
65	Chile
66	Matsushita Electric Ind.
67	Nissho Iwai
68	ING Group
69	AT&T
70	Philip Morris
71	Sony
72	Pakistan
73	Deutsche Bank
74	Boeing
75	Peru
76	Czech Republic
77	Dai-ichi Mutual Life Ins.
78	Honda Motor
79	Assicurazioni Generali
80	Nissan Motor
81	New Zealand
82	E.On
83	Toshiba
84	Bank of America
85	Fiat
86	Nestle
87	SBC Communications
88	Credit Suisse
89	Hungary
90	Hewlett-Packard
91	Fujitsu
92	Algeria
93	Metro
94	Sumimoto Life Insur.
95	Bangladesh
96	Tokyo Electric Power
97	Kroger
98	Total Fina Elf
99	NEC
100	State Farm Insurance

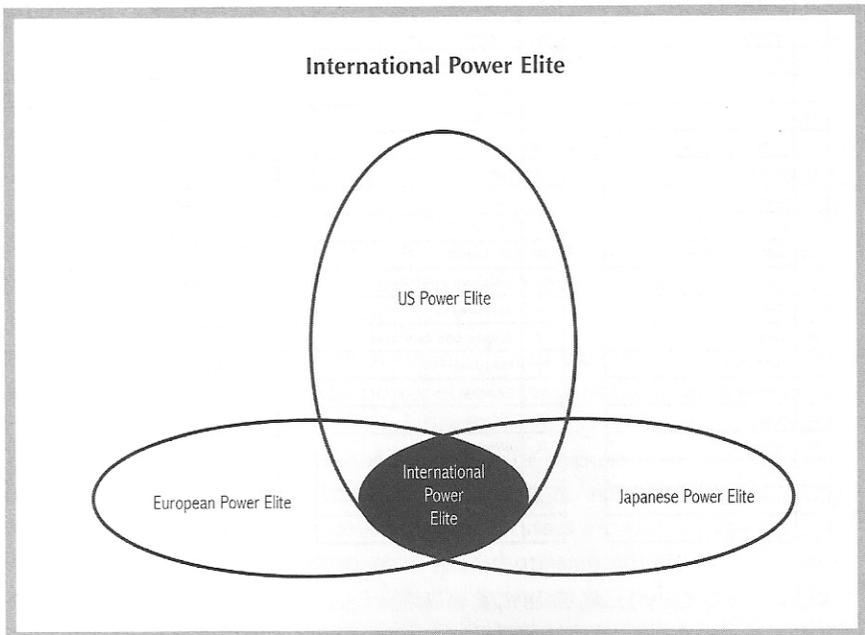
Source: *Fortune*, July 31, 2000, World Bank, *World Development Report 2000*.

tors and deputy directors of the CIA have come directly from Wall Street firms.³¹

Outside of corporate circles, there are many sub-groupings within the broader power elite based on political, economic, and other differences. There are groups that are Christian Fundamentalist and groups that believe in the separation of church and state, groups that have a world domination agenda and groups that are more internationalist in approach. Groups that favor high tariffs and comparative isolation, and those that advocate for limited trade barriers and an interventionist approach to international affairs.

The power elite (even within corporate circles) is not a simple or harmonious network. There is often sharp conflict stemming from different analyses and agendas between groupings. These conflicts are often negotiated out, or maneuvered around, to reach specific policy decisions. Sometimes they are not worked out, and divisions within the power elite can be leveraged by grassroots movements to effect social change.

On the other hand, there is great mutuality of economic interests and values, and substantial linking of most of the groups within the power elite. Often the power elite can reach broad agreement about general policy issues. The lengthy and sometimes hotly contested process of influencing other members of the power elite and reaching agreement involves the policy-formation groups, foundations, think tanks, and other structures detailed below.

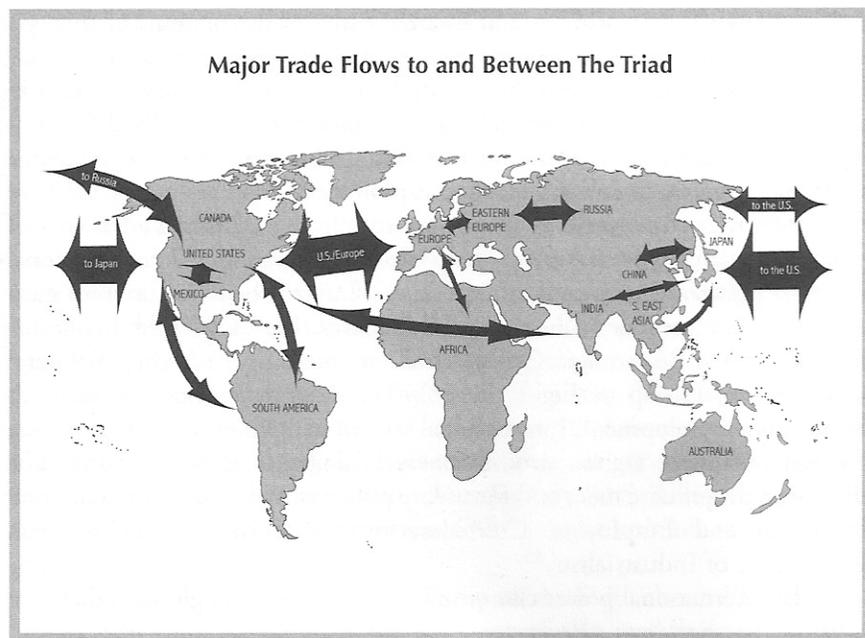


The U.S. Power Elite Is a Primary Component of the International Power Elite

The power elite of the United States has always been closely connected to the power elites and ruling classes of Western European countries, even those who were ostensibly our enemies.³² Much ruling class wealth is tied to international economic sectors such as oil, arms, finance, technology, chemicals, tobacco, entertainment, banking, communications, and drugs. In addition, most of our largest corporations rely on a significant percentage of international sales, raw materials from other countries, production abroad, foreign employees, and earnings outside of the United States.³³

On the more personal side, many members of the U.S. ruling class spend a great deal of their time in other countries, especially in Europe. Ruling class institutions such as elite universities, and social gatherings such as weddings, inaugurations, funerals, etc. are also sites where members of the ruling class and power elite form international economic and social ties.

After World War II, the U.S. emerged with a strong, undestroyed economy and with overwhelming military superiority. The foundation of U.S. dominance of the current international money system was established in 1945 with the Breton Woods agreement tying the U.S. dollar to a gold standard. The system was dramatically and unilaterally altered in the 1970s when the U.S. went off the gold standard and reinvigorated the IMF and World Bank.



Today, the U.S. power elite remains primary because much of the world's wealth is still concentrated in the U.S. With the largest military budget and as the world's greatest military power, the U.S. is able to enforce its policies and defend its economic interests unilaterally when necessary.

The financial system continues to be dominated by U.S. interests, but generally policy is coordinated with the power elites of Japan and Western Europe, often referred to as The Triad.

The economic predominance of The Triad countries is overwhelming. In *Fortune* magazine's 2002 Global 500, of the 25 largest transnational corporations, seven were Japanese, eight were based in the European Union, and 10 were based in the U.S. In terms of market valuation in 1995, for example, of the world's 100 largest corporations the U.S. was home to 43, Japan to 27, Britain to 11, Germany to five, and most of the rest were based in other countries in Western Europe. Russia, China, Canada, Spain, Indonesia, Australia, and Brazil had none.³⁴

Most of the trade and financial interchange in the world is between members of The Triad. In addition, each of its members has "gathered under itself a relative handful of poor countries to act as sweatshop, plantation, and mine: The U.S. has Latin America, particularly Mexico; the European Union has Eastern and Southern Europe, and Africa; and Japan, Southeast Asia. In a few cases, two Triad members share a country—Taiwan and Singapore are split between Japan and the U.S.; Argentina, between the U.S. and the EU; and India is shared by all three."³⁵

The rest of the world's countries are mostly on the margins of this system. Most of the financial, political and military struggles during the last few hundred years and now into the twenty-first century, including fighting in the Middle East, are really struggles among members of The Triad for control and maintenance of economic colonies around the world, or to subdue resistance from those colonies to their exploitation.

The power elite from The Triad countries have established a network of policy formation groups which help develop international and national financial policies, institutions, and practices. International power elites meet at private conferences such as the Bildenbergs, Davos (World Economic Forum), and Bohemian Grove, and at meetings of the Trilateral Commission, Group of Eight, IMF, WTO, World Business Council for Sustainable Development, International Chamber of Commerce, Council on Foreign Relations, Transatlantic Business Dialogue, and World Bank. The European power elite meet and formulate policy at meetings of the Union of Industrial and Employers' Confederations of Europe, and European Roundtable of Industrialists.³⁶

The international power elite promotes an ideology of globalization that calls for the alignment of every national and regional economy into an eco-

conomic superstructure controlled from the top by The Triad. This centralized and exploitative political and economic system has long been referred to as globalization by its ruling class advocates, and as imperialism by the rest of the world.

With the liberation of most of the world's former colonies, and the development of a sophisticated and integrated international economic structure, the ruling class, and power elite's efforts have shifted from direct colonial political control to indirect international economic control (with military backup), even though the general relationships between imperial powers and subordinated countries remains the same.

In the last two decades, a transnational ruling class has been developing whose allegiance is less and less to the governments and citizens of their countries of origin, and more to their class, and the pursuit of profits at all times, places, and circumstances, regardless of the consequences. This shift toward a supranational world power elite is orchestrated by the executives and owners of transnational corporations, leaders of the global financial network, and the government officials and professionals who work to consolidate their wealth and power further.

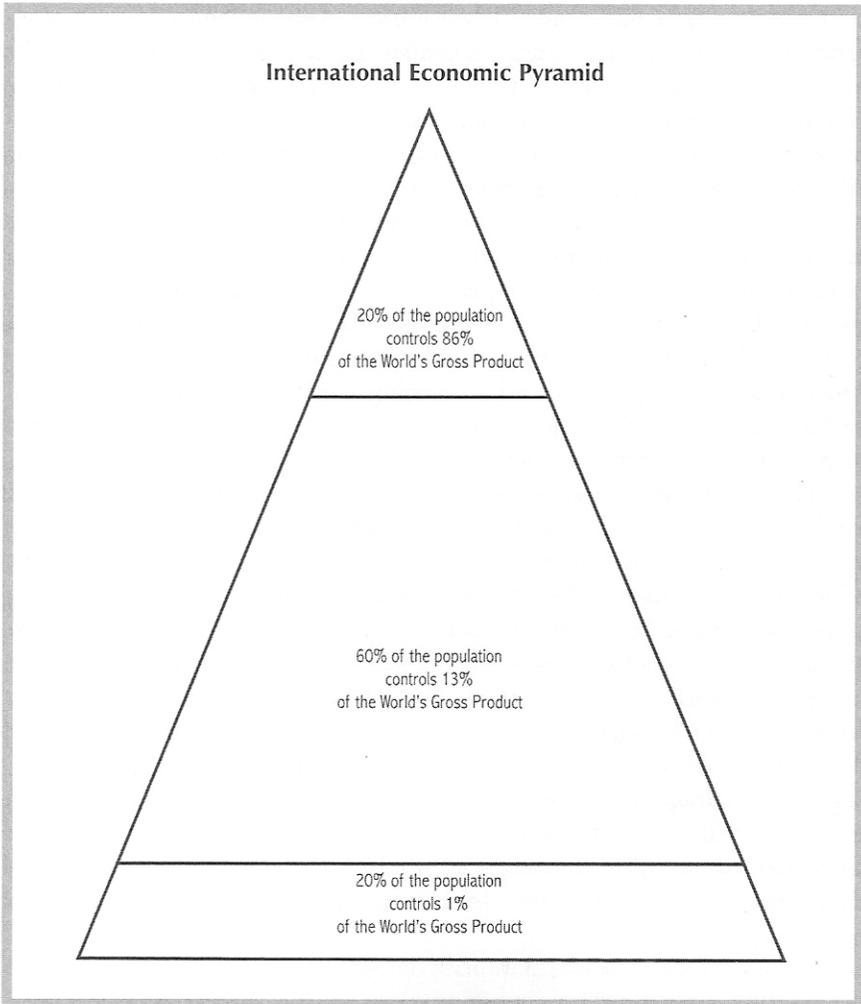
The extension of the international economic system so that no region or sector is left unassimilated is a consciously pursued strategy by the transnational ruling class in the current period. But national governments, particularly the U.S., continue to play a leading role in guiding the international economy. As researchers Petras and Veltmeyer conclude, "It is impossible to conceive of the expansion and deepening involvement of multinational banks and corporations without the prior political, military and economic intervention of the nation-state."³⁷

The U.S. power elite also shares political and economic interests with the small political, economic, and military elites of the marginal nations, as long as those groups remain in power and can control the economic decisions within their countries. The primary interest of the U.S. power elite is to maintain a small elite in power in each local country or market that will operate its country with the most favorable terms for profit making. When the rulers of a country are unable or unwilling to do so, they are quickly replaced by a group more subservient to U.S. ruling class needs. In the last few decades we have seen this happen in Panama, Vietnam, Granada, Afghanistan, Iraq, Iran, Guatemala, Nicaragua, El Salvador, Brazil, Chile, and Indonesia. These attacks on the territorial sovereignty of other countries are guided primarily by the perceived needs of the U.S. ruling class, and its ability to use the U.S. government and U.S. public opinion to support its goals.

The owning classes internationally (as in the U.S., about 20 percent of the world's population) receive 86 percent of the world's gross product,

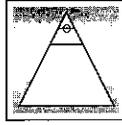
whereas the working class, the next 60 percent, receive 13 percent, and the poorest 20 percent divide up 1 percent.³⁸ The class structure of each country is different and the percentages in each class vary by country, but most countries have both a ruling elite on the one hand, and a large majority of the population who have neither living wages nor an adequate and secure quality of life on the other.

In addition to having a ruling elite, many non-triad countries in the world also have a managerial class that benefits from the policies of the ruling elite and provides the markets for the products of national and transnational corporations.



Just as there are conflicts of interest within sectors of the U.S. power elite, there are also conflicts of interest within the international power elite and within the power elites in individual countries. And just as the U.S. power elite comes together around core issues such as opposition to unions and wage increases, the international power elite comes together on many issues of financial policy, opposition to non-subservient third world governments and leaders, and a rhetoric of "free" trade or "free" markets.

The power elite uses the phrase "free" trade to justify opening up markets in less developed countries to the economic penetration of Triad-based transnational corporations. Protectionist policies within the U.S. such as farm price subsidies, steel import quotas, copyright and trademark protections, and price support mechanisms are not evaluated by the same standards as other country's attempts to protect their economies. In reality, The Triad countries promote a free market for money and speculation, a somewhat free market for goods depending on the interests of the transnational corporations, and a tightly controlled market for labor.³⁹



ENDNOTES

15. See the section on anti-Semitism on page 132.
16. This group would also include some members of the managerial class who are in positions of power and decision-making.
17. Income figure is from 2001 from Mishel, et al., *The State of Working America, 2002/2003*, 56. Wealth figure is from The Public Health and Labor Institutes, *Corporate Power and the American Dream*, 77.

18. For a detailed look at how this professional training and screening process works see Schmidt, *Disciplined Minds*.
19. C. Wright Mills, *The Power Elite* and G. William Domhoff, *Who Rules America: Power and Politics in the Year 2000*.
20. The phrase is from Parenti, *Democracy for the Few*, 36.
21. Domhoff, *Who Rules America*, 161-162.
22. Perrucci and Wysong, *The New Class Society*, 59.
23. Dye, *Who's Running America*, 204.
24. Perrucci and Wysong, *The New Class Society*, 94. For a more detailed look at diversity in the power elite see Zweigenhaft and Domhoff, *Diversity in the Power Elite*.
25. Perrucci and Wysong, *The New Class Society*, 2nd ed., 54.
26. Allegra, Donna, "Inconspicuous Assumptions" in Raffo, Susan, *Queerly Classed*, 212.
27. Hartmann, *Unequal Protection*, 201, 204.
28. For more information on the power of loan consortia see Mintz and Schwartz, *The Power Structure of American Business*, 54-56.
29. *Ibid.*, 163.
30. Dye, *Who's Running America*, 39, 41. Perrucci and Wysong, *The New Class Society*, 2nd ed., 124-5.
31. Scott, *Drugs, Oil and War*, 187, and Ruppert, Mike, "The Truth and Lies of 911" (Sherman Oaks, CA: From the Wilderness Publications, 2002).
32. U.S. companies had close business partnerships with German and Japanese companies before and even during World War II. For example, ITT operated factories during the war which built bombers for the German Air Force, and even collected \$27 million from the U.S. government because the Allied forces bombed their German factories. Carey, *Taking the Risk Out of Democracy*, 76. IBM provided census machines and punch card technology to Hitler. For more details about IBM see Black, *IBM and the Holocaust*.
33. Phillips, *Wealth and Democracy*, 411-12.
34. Doremus, Paul, et al., *The Myth of the Global Corporation*, 8.
35. Henwood, *WALL Street*, 112. These relations are always in flux. For example, recently, as major oil discoveries have been made in the Gulf of Guinea on the Atlantic coast of Africa, the U.S. has stepped up its economic and political activities there, challenging long-term European interests.
36. More information about most of these groups can be found in Draffan, *The Elite Consensus*, and at the websites of the organizations.
37. Petras and Veltmeyer. *Globalization Unmasked*, 54.
38. United Nations Development Report, UNDP/OUP 2000 quoted in Seabrook, *The No-nonsense Guide to Class, Caste & Hierarchies*, 11.
39. Seabrook, *The No-nonsense Guide to Class, Caste & Hierarchies*, 72.