

Global Ruling Class: Billionaires and How They 'Made It'

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Even as the world's billionaires grew in number from 793 in 2006 to 946 this year, major mass uprisings became commonplace in China and India. In India, which has the highest number of billionaires (36) in Asia with total wealth of \$191 billion, Prime Minister Singh declared that the greatest single threat to 'India's security' were the Maoist-led guerrilla armies and mass movements in the poorest parts of the country. In China, with 20 billionaires with \$29.4 billion net worth, the new rulers, confronting nearly a hundred thousand reported riots and protests, have increased the number of armed special anti-riot militia a hundred fold, and increased spending for the rural poor by \$10 billion in the hopes of lessening the monstrous class inequalities and heading off a mass upheaval.

The total wealth of this global ruling class grew 35 per cent year to year topping \$3.5 trillion, while income levels for the lower 55 per cent of the world's 6-billion-strong population declined or stagnated. Put another way, one hundred millionth of the world's population (1/100,000,000) owns more than over 3 billion people. Over half of the current billionaires (523) came from just 3 countries: the US (415), Germany (55) and Russia (53). The 35 per cent increase in wealth mostly came from speculation on equity markets, real estate and commodity trading, rather than from technical innovations, investments in job-creating industries or social services.

Among the newest, youngest and fastest-growing group of billionaires, the Russian oligarchy stands out for its most rapacious beginnings. Over two-thirds (67 per cent) of the current Russian billionaire oligarchs began their concentration of wealth in their mid to early twenties. During the infamous decade of the 1990's under the quasi-dictatorial rule of Boris Yeltsin and his US-directed economic advisers, Anatoly Chubais and Yegor Gaidar the entire Russian economy was put up for sale for a 'political price', which was far below its real value. Without exception, the transfers of property were achieved through gangster tactics assassinations, massive theft, and seizure of state resources, illicit stock manipulation and buyouts. The future billionaires stripped the Russian state of over a trillion dollars worth of factories, transport, oil, gas, iron, coal and other formerly state-owned resources.

Contrary to European and US publicists on the right and left, very few of the top former Communist leaders are found among the current Russian billionaire oligarchy. Secondly, contrary to the spin-masters' claims of 'communist inefficiencies', the former Soviet Union developed mines, factories, energy enterprises were profitable and competitive, before they were taken over by the new oligarchs. This is evident in the massive private wealth that was accumulated in less than a decade by these gangster-businessmen.

Virtually all the billionaires' initial sources of wealth had nothing to do with building,

innovating or developing new efficient enterprises. Wealth was not transferred to high Communist Party Commissars (lateral transfers) but was seized by armed private mafias run by recent university graduates who quickly capitalized on corrupting, intimidating or assassinating senior officials in the state and benefiting from Boris Yeltsin's mindless contracting of 'free market' Western consultants.

Forbes magazine puts out a yearly list of the richest individuals and families in the world. What is most amusing about the famous Forbes magazine's background biographical notes on the Russian oligarchs is the constant reference to their source of wealth as 'self-made' as if stealing state property created by and defended for over 70 years by the sweat and blood of the Russian people was the result of the entrepreneurial skills of thugs in their twenties. Of the top eight Russian billionaire oligarchs, all got their start from strong-arming their rivals, setting up 'paper banks' and taking over aluminum, oil, gas, nickel and steel production and the export of bauxite, iron and other minerals. Every sector of the former Communist economy was pillaged by the new billionaires: Construction, telecommunications, chemicals, real estate, agriculture, vodka, foods, land, media, automobiles, airlines etc..

With rare exceptions, following the Yeltsin privatizations all of the oligarchs quickly rose to the top or near the top, literally murdering or intimidating any opponents within the former Soviet apparatus and competitors from rival predator gangs.

The key 'policy' measures, which facilitated the initial pillage and takeovers by the future billionaires, were the vast and immediate privatizations of almost all public enterprises by the Gaidar/Chubais team. This 'Shock Treatment' was encouraged by a Harvard team of economic advisers and especially by US President Clinton in order to make the capitalist transformation irreversible. Privatization led to the capitalist gang wars and the disarticulation of the Russian economy. As a result there was an 80 per cent decline in living standards, a devaluation of the Ruble and the sell-off of invaluable oil, gas and other strategic resources at bargain prices to the rising class of predator billionaires and US-European oil and gas multinational corporations. Over a hundred billion dollars a year was laundered by the mafia oligarchs in the principle banks of New York, London, Switzerland, Israel and elsewhere funds which would later be recycled in the purchase of expensive real estate in the US, England, Spain, France as well as investments in British football teams, Israeli banks and joint ventures in minerals.

The winners of the gang wars during the Yeltsin reign followed up by expanding operations to a variety of new economic sectors, investments in the expansion of existing facilities (especially in real estate, extractive and consumer industries) and overseas. Under President Putin, the gangster-oligarchs consolidated and expanded from multi-millionaires to billionaires, to multi-billionaires and growing. From young swaggering thugs and local swindlers, they became the 'respectable' partners of American and European multinational corporations, according to their Western PR agents. The new Russian oligarchs had 'arrived' on the world financial scene, according to the financial press.

Yet as President Putin recently pointed out, the new billionaires have failed to invest, innovate and create competitive enterprises, despite optimal conditions. Outside of raw material exports, benefiting from high international prices, few of the oligarch-owned manufacturers are earning foreign exchange, because few can compete in international markets. The reason is that the oligarchs have 'diversified' into stock speculation (Suleiman Kerimov \$14.4 billion), (Mikhail Prokhorov \$13.5 billion), banking (Fridman \$12.6 billion)

and buyouts of mines and mineral processing plants.

The Western media have focused on the falling out between a handful of Yeltsin-era oligarchs and President Vladimir Putin and the increase in wealth of a number of Putin-era billionaires. However, the biographical evidence demonstrates that there is no rupture between the rise of the billionaires under Yeltsin and their consolidation and expansion under Putin. The decline in mutual murder and the shift to state-regulated competition is as much a product of the consolidation of the great fortunes as it is the 'new rules of the game' imposed by President Putin. In the mid 19th century, Honoré Balzac, surveying the rise of the respectable bourgeois in France, pointed out their dubious origins: "Behind every great fortune is a great crime." The swindles begetting the decades-long ascent of the 19th century French bourgeoisie pale in comparison to the massive pillage and bloodletting that created Russia's 21st century billionaires.

Latin America

If blood and guns were the instruments for the rise of the Russian billionaire oligarchs, in other regions the Market, or better still, the US-IMF-World Bank orchestrated Washington Consensus was the driving force behind the rise of the Latin American billionaires. The two countries with the greatest concentration of wealth and the greatest number of billionaires in Latin America are Mexico and Brazil (77 per cent), which are the two countries, which privatized the most lucrative, efficient and largest public monopolies. Of the total \$157.2 billion owned by the 38 Latin American billionaires, 30 are Brazilians or Mexicans with \$120.3 billion. The wealth of 38 families and individuals exceeds that of 250 million Latin Americans; 0.000001 per cent of the population exceeds that of the lowest 50 per cent. In Mexico, the income of 0.000001 per cent of the population exceeds the combined income of 40 million Mexicans. The rise of Latin American billionaires coincides with the real fall in minimum wages, public expenditures in social services, labor legislation and a rise in state repression, weakening labor and peasant organization and collective bargaining. The implementation of regressive taxes burdening the workers and peasants and tax exemptions and subsidies for the agro-mineral exporters contributed to the making of the billionaires. The result has been downward mobility for public employees and workers, the displacement of urban labor into the informal sector, the massive bankruptcy of small farmers, peasants and rural labor and the out-migration from the countryside to the urban slums and emigration abroad.

The principal cause of poverty in Latin America is the very conditions that facilitate the growth of billionaires. In the case of Mexico, the privatization of the telecommunication sector at rock bottom prices, resulted in the quadrupling of wealth for Carlos Slim Helu, the third richest man in the world (just behind Bill Gates and Warren Buffet) with a net worth of \$49 billion. Two fellow Mexican billionaires, Alfredo Harp Helu and Roberto Hernandez Ramirez benefited from the privatization of banks and their subsequent de-nationalization, selling Banamex to Citicorp.

Privatization, financial de-regulation and de-nationalization were the key operating principles of US foreign economic policies implemented in Latin America by the IMF and the World Bank. These principles dictated the fundamental conditions shaping any loans or debt re-negotiations in Latin America.

The billionaires-in-the-making, came from old and new money. Some began to raise their

fortunes by securing government contracts during the earlier state-led development model (1930's to 1970's) and others through inherited wealth. Half of Mexican billionaires inherited their original multi-million dollar fortunes on their way up to the top. The other half benefited from political ties and the subsequent big payola from buying public enterprises cheap and then selling them off to US multi-nationals at great profit. The great bulk of the 12 million Mexican immigrants who crossed the border into the US have fled from the onerous conditions, which allowed Mexico's traditional and nouveaux riche millionaires to join the global billionaires' club.

Brazil has the largest number of billionaires (20) of any country in Latin America with a net worth of \$46.2 billion, which is greater than the net worth of 80 million urban and rural impoverished Brazilians. Approximately 40 per cent of Brazilian billionaires started with great fortunes and simply added on through acquisitions and mergers. The so-called 'self-made' billionaires benefited from the privatization of the lucrative financial sector (the Safra family with \$8.9 billion) and the iron and steel complexes.

How to Become a Billionaire

While some knowledge, technical and 'entrepreneurial skills' and market savvy played a small role in the making of the billionaires in Russia and Latin America, far more important was the interface of politics and economics at every stage of wealth accumulation.

In most cases there were three stages:

1. During the early 'statist' model of development, the current billionaires successfully 'lobbied' and bribed officials for government contracts, tax exemptions, subsidies and protection from foreign competitors. State handouts were the beachhead or take-off point to billionaire status during the subsequent neo-liberal phase.
2. The neo-liberal period provided the greatest opportunity for seizing lucrative public assets far below their market value and earning capacity. The privatization, although described as 'market transactions', were in reality political sales in four senses: in price, in selection of buyers, in kickbacks to the sellers and in furthering an ideological agenda. Wealth accumulation resulted from the sell-off of banks, minerals, energy resources, telecommunications, power plants and transport and the assumption by the state of private debt. This was the take-off phase from millionaire toward billionaire status. This was consummated in Latin America via corruption and in Russia via assassination and gang warfare.
3. During the third phase (the present) the billionaires have consolidated and expanded their empires through mergers, acquisitions, further privatizations and overseas expansion. Private monopolies of mobile phones, telecoms and other 'public' utilities, plus high commodity prices have added billions to the initial concentrations. Some millionaires became billionaires by selling their recently acquired, lucrative privatized enterprises to foreign capital.

In both Latin America and Russia, the billionaires grabbed lucrative state assets under the aegis of orthodox neo-liberal regimes (Salinas-Zedillo regimes in Mexico, Collor-Cardoso in Brazil, Yeltsin in Russia) and consolidated and expanded under the rule of supposedly 'reformist' regimes (Putin in Russia, Lula in Brazil and Fox in Mexico). In the rest of Latin America (Chile, Colombia and Argentina) the making of the billionaires resulted from the bloody military coups and regimes, which destroyed the socio-political movements and

started the privatization process. This process was then even more energetically promoted by the subsequent electoral regimes of the right and 'center-left'.

What is repeatedly demonstrated in both Russia and Latin America is that the key factor leading to the quantum leap in wealth from millionaires to billionaires was the vast privatization and subsequent de-nationalization of lucrative public enterprises.

If we add to the concentration of \$157 billion in the hands of an infinitesimal fraction of the elite, the \$990 billion taken out by the foreign banks in debt payments and the \$1 trillion (one thousand billion) taken out by way of profits, royalties, rents and laundered money over the past decade and a half, we have an adequate framework for understanding why Latin America continues to have over two-thirds of its population with inadequate living standards and stagnant economies.

The responsibility of the US for the growth of Latin American billionaires and mass poverty is several-fold and involves a wide gamut of political institutions, business elites, and academic and media moguls. First and foremost the US backed the military dictators and neo-liberal politicians who set up the billionaire-oriented economic models. It was ex-President Clinton, the CIA and his economic advisers, in alliance with the Russian oligarchs, who provided the political intelligence and material support to put Yeltsin in power and back his destruction of the Russian Parliament (Duma) in 1993 and the rigged elections of 1996. And it was Washington, which allowed hundreds of billions of dollars to be laundered in US banks throughout the 1990's as the US Congressional Sub-Committee on Banking (1998) revealed.

It was Nixon, Kissinger and later Carter and Brzezinski, Reagan and Bush, Clinton and Albright who backed the privatizations pushed by Latin American military dictators and civilian reactionaries in the 1970's, 1980's and 1990's. Their instructions to the US representatives in the IMF and the World Bank were writ large: Privatize, de-regulate and de-nationalize (PDD) before any loans should be negotiated.

It was US academics and ideologues working hand in glove with the so-called multi-lateral agencies, as contracted economic consultants, who trained, designed and pushed the PDD agenda among their former Ivy League students-turned-economic and finance ministers and Central Bankers in Latin America and Russia.

It was US and EU multi-national corporations and banks which bought out or went into joint ventures with the emerging Latin American billionaires and who reaped the trillion dollar payouts on the debts incurred by the corrupt military and civilian regimes. The billionaires are as much a product and/or by-product of US anti-nationalist, anti-communist policies as they are a product of their own grandiose theft of public enterprises.

Conclusion

Given the enormous class and income disparities in Russia, Latin America and China (20 Chinese billionaires have a net worth of \$29.4 billion in less than ten years), it is more accurate to describe these countries as 'surging billionaires' rather than 'emerging markets' because it is not the 'free market' but the political power of the billionaires that dictates policy.

Countries of 'surging billionaires' produce burgeoning poverty, submerging living standards.

The making of billionaires means the unmaking of civil society the weakening of social solidarity, protective social legislation, pensions, vacations, public health programs and education. While politics is central, past political labels mean nothing. Ex-Marxist Brazilian ex-President Cardoso and ex-trade union leader President Lula Da Silva privatized public enterprises and promoted policies that spawn billionaires. Ex-Communist Putin cultivates certain billionaire oligarchs and offers incentives to others to shape up and invest.

The period of greatest decline in living standards in Latin America and Russia coincide with the dismantling of the nationalist populist and communist economies. Between 1980-2004, Latin America more precisely Brazil, Argentina and Mexico stagnated at 0 per cent to 1 per cent per capita growth. Russia saw a 50 per cent decline in GNP between 1990-1996 and living standards dropped 80 per cent for everyone except the predators and their gangster entourages.

Recent growth (2003-2007), where it occurs, has more to do with the extraordinary rise in international prices (of energy resources, metals and agro-exports) than any positive developments from the billionaire-dominated economies. The growth of billionaires is hardly a sign of 'general prosperity' resulting from the 'free market' as the editors of Forbes Magazine claim. In fact it is the product of the illicit seizure of lucrative public resources, built up by the work and struggle of millions of workers, in Russia and China under Communism and in Latin America during populist-nationalist and democratic-socialist governments. Many billionaires have inherited wealth and used their political ties to expand and extend their empires it has little to do with entrepreneurial skills.

The billionaires' and the White House's anger and hostility toward President Hugo Chavez of Venezuela is precisely because he is reversing the policies which create billionaires and mass poverty: He is re-nationalizing energy resources, public utilities and expropriating some large landed estates. Chavez is not only challenging US hegemony in Latin America but also the entire PDD edifice that built the economic empires of the billionaires in Latin America, Russia, China and elsewhere.

The primary data for this essay is drawn from Forbes Magazine 's "List of the World's Billionaires" published March 8, 2007.

James Petras most recent book is The Power of Israel in the United States.(clarity 2006 third printing) His essays in English can be found at www.petras.lahaine.org and in Spanish at www.rebellion.org

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