GlobalResearch
Center for Research on Globalization

Who Rules America?

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Global Research, January 13, 2007
Information Clearing House 13 January 2007

Region: USA
Theme: Global Economy

In the broadest and deepest sense, understanding how the US political system functions, the decisions of war and peace are taken, who gets what, how and why, requires that we address the question of 'Who rules America?' In tackling the question of 'ruling' one needs to clarify a great deal of misunderstandings, particularly the confusion between those who make governmental decisions and the socio-economic institutional parameters which define the interests to be served. 'Ruling' is exacting: it defines the 'rules' to be followed by the political and administrative decision-makers in formulating budgetary expenditures, taxes, labor and social legislation, trade policy, military and strategic questions of war and peace. The 'rules' are established, modified and adjusted according to the specific composition of the leading sectors of a ruling class (RC). Rules change with shifts in power within the ruling class. Shifts in power can reflect the internal dynamics of an economy or the changing position of economic sectors in the world economy, particularly the rise and decline of economic competitors.

The 'rules' imposed by one economic sector of the RC at a time of favorable conditions in the world economy, will be altered as new dominant economic sectors emerge and unfavorable external conditions weaken the former dominant economic sectors. As we shall describe below the relative and absolute decline of the US manufacturing sector is directly related to the rise of a multidimensional 'financial sector' and to the greater competitiveness of other manufacturing countries. The result is an accelerating process of liberalization of the economy favored by the ascending financial sectors. Liberalization in pursuit of unregulated flows of investments, buyouts, acquisitions and trade increases the financial sector's profits, commissions, incomes and bonuses. Liberalization facilitates the financial sector's acquisition of assets. The declining competitiveness of the older ruling class manufacturing sector dependent on statist protectionism and subsidies leads to 'rear-guard' policies, attempting to fashion an unwieldy policy of liberalization abroad and protectionism at home.

The answer to the question of *who rules* depends on specifying the historical moment and place on the world economy. The answer is complicated by the fact that shifts among 'sectors' of the ruling class involves a prolonged 'transitional period'. During this period declining and ascending sectors may intermingle and the class members of declining sectors 'convert' to the rising sector. Hence while power between economic sectors may change, the leading class groupings may not lose out or decline. They merely shift their investments and adapt to the new and more lucrative opportunities created by the ascending sector.

For example, while US manufacturing sector has declined relative to 'finance capital', many of the major investment institutions have shifted to the new financial 'growth sectors.' Concomitantly, the converted sectors of the ruling class will shift their policies toward greater liberalization and deregulation, thus severely weakening the rear-guard demands of the uncompetitive manufacturing sector. Equally important within the declining economic sectors of the RC, drastic structural changes may ensue, to regain profitable returns and retain influence and power. Foremost of these changes is relocation of production overseas to low wage, low tax, non-union locations, the introduction of IT technology designed to reduce labor costs and increase productivity, and diversification of economic activity to incorporate lucrative financial 'services'.

For example General Electric has moved from manufacturing toward financial services, relocated labor intensive activity off-shore and computerized operations. Through these moves the distinction between 'manufacturing' and financial capital has been made obsolete in describing the 'ruling class'.

To the degree that older manufacturing capitalists retain any economic and political weight in the RC, they have done so via sub-contracting overseas to Asia and Mexico (General Motors/Ford), invested in overseas plants to capture foreign markets, or have been converted in large part into commercial and importing operations (shoes, textiles, toys, electronics and computer chips).

Locally based manufacturers which remain in the RC are largely found among military contractors living off the largesse of state spending and depending on the political support of congressional and trade union officials, eager to secure employment for a shrinking manufacturing labor force.

During this transitional period of rapid and all-encompassing changes in the ruling class, enormous financial opportunities have opened up throughout the world. As a result of political tensions within the 'governing class', key policymakers are drawn directly from the most representative institutions of Wall Street. Key economic policies, especially those which are most relevant to the RC, tend to be overwhelmingly in the hands of tried and experienced top leaders from Wall Street.

Despite (or because of) the ascendancy of various sectors of financial capital in the RC, and their agreements on a host of 'liberalizing' economic policies, they are not homogeneous in all of their political outlooks, party affiliations, or their foreign policy outlook. Most of these political differences are questions of small matter – except on one issue where there is a major and growing rift, namely in the Middle East. A sector of the RC strongly aligned with the state of Israel supports a bellicose policy toward the Jewish state's adversaries (Iran, Syria, Hezbollah and Palestine) as opposed to another sector of the RC favoring a diplomatic approach, directed toward securing closer ties with Arab and Persian elites. Given the highly militarized turn in US foreign policy (largely due to the ascendancy of neo-conservative ideologues, the strong influence of the Zionist Lobby, and the instability and failures of their policies in the Middle East and China) the RC has pressed for and secured direct control over foreign economic policy.

The tensions and conflicts within the RC – especially between the *Zioncons* and the 'free marketeers' – have been papered over by the enormous economic benefits accruing to all sectors. All RC financial sectors have been enriched by White House and Congressional policies. All have benefited from the ascendancy of 'liberalizing regimes' throughout the world. They have reaped the gains of the expansionary phase of the international economy. While the entire ruling financial, real estate and trading sectors have been the main beneficiaries, it has been the financial groups, particularly the investment banks that have led the way and provide the political leadership.

Ascendancy of Financial Capital

'Finance capital' has many faces and cannot be understood without reference to specific sectors. Investment banks, pension funds, hedge funds, savings and loan banks, investment funds are only a few of the operative managers of a multi-trillion dollar economy. Moreover each of these sectors have specialized departments engaged in particular types of speculative-financial activity including commodity and currency, trading, consulting and managing acquisition and mergers. Despite a few exposés, court cases, fines and an occasional jailing, the financial sector writes its rules, controls its regulators and has secured license to speculate on everything, everywhere and all the time. They have created the framework or universe in which all other economic activities (manufacturing, retail sales and real estate) take place.

'Finance capital' is not an isolated sector and cannot be counterposed to the 'productive economy' except in the most marginal 'local activity'. In large part finance capital interacts with and is the essential driving force in real estate speculation, agro-business, commodity production and manufacturing activity. To a large degree 'market prices' are as influenced by speculative intervention as they are by 'supply and demand'. Equally important, the entire architecture of the 'paper empire' (the entire complex of inter-related financial investments) is ultimately dependent on the production of goods and services. The structure of power and wealth takes the form of an inverted triangle in which a vast army of workers, peasants and salary employees produce value which becomes the basis for near and remote, simple and exotic, lucrative and speculative financial instruments. The transfer of value from the productive activities of labor up through the ladder and branches of financial instruments is carried out through various vehicles: direct financial ownership of enterprises, credit, debt leveraging, buyouts and mergers. The tendency of 'productive capitalists' is to start-up an enterprise, innovate, exploit labor, capture markets and then 'sell-out' or go 'public' (stock offerings). The financial sector acts as combined intermediary, manager, proxy-purchaser and consultant, capturing substantial fees and expanding their economic empires and… preparing the way to higher levels of acquisitions and mergers… 'Finance capital' is the midwife of the concentration and centralization of wealth and capital as well as the direct owner of the means of production and distribution. From exacting a larger and larger 'tribute' or 'rent' (commission or fee) on each large-scale capital transaction, 'finance capital' has moved toward penetrating and controlling an enormous array of economic activities, transferring capital across national and sectoral boundaries, extracting profits and dumping shares according to the business, product and profit cycle.

Within the ruling class, the financial elite is the most parasitical component and exceeds the corporate bosses (CEOs) and most entrepreneurs in wealth and annual payments. It falls short of the annual income and assets of the super-rich entrepreneurs like William Gates and Michael Dell.

The financial ruling class is internally stratified into three sub-groups: at the top are big private equity bankers and hedge-fund managers, followed by the Wall Street chief executives, who in turn are above the next rung of senior associate or vice-presidents of a big private equity funds who is followed by their counterparts at Wall Street's public equity funds. Top hedge fund managers and executive have made $1 billion dollars or more a year – several times what the CEO's make at publicly traded investment houses. For example in 2006 Lloyd Blankfein, CEO of Goldman Sachs, was paid $53.4 million, while Dan Ochs, executive of the hedge fund Och-Ziff Capital paid himself $220 million dollars. That same year the Morgan Stanley CEO received $40 million dollars, while the chief executive of the hedge fund Citadel was paid over $300 million dollars.

While the 'hedge fund' speculators receive the highest annual salaries, the private equity executives can equal their hundreds of millions payments through deal fees and special dividend payments from portfolio companies. This was especially true in 2006 when buyouts reached a record $710 billion dollars. The big bucks for the private equity bosses comes from the accumulating stake executives have in portfolio companies. They typically skim 20% of profits, which are realized when a group sells or lists a portfolio company. At that time, the payday runs into the hundreds of millions of dollars.

The subset of the financial ruling class is the 'junior bankers' of private equity firms who take about $500,000 a year. At the bottom rung are the 'junior bankers' of publicly traded investment houses ('Wall Street') who average $350,000 a year. The financial ruling class is made up of these multi-billionaire elites from the hedge funds, private and public equity bankers and their associates in big prestigious corporate legal and accounting firms. They in turn are linked to the judicial and regulatory authorities, through political appointments and contributions, and by their central position in the national economy.

Within the financial ruling class, political leadership does not usually come from the richest hedge fund speculators, even less among the 'junior bankers'. Political leaders come from the public and private equity banks, namely Wall Street – especially Goldman Sachs, Blackstone, the Carlyle Group and others. They organize and fund both major parties and their electoral campaigns. They pressure, negotiate and draw up the most comprehensive and favorable legislation on global strategies (liberalization and deregulation) and sectoral policies (reductions in taxes, government pressure on countries like China to 'open' their financial services to foreign penetration and so on). They pressure the government to 'bailout' bankrupt and failed speculative firms and to balance the budget by lowering social expenditures instead of raising taxes on speculative 'windfall' profits.

The Dance of the Billions: Finance Capital Reaps the Profits from their Power

Speculators of the world had a spectacular year in 2006 as global equities hit double digit gains in the US, European and Asian markets. China, Brazil, Russia and India were centers of speculative profiteering as the China FTSE index rose 94%, Russia's stock market rose 60%, Brazil's Bovespa was up 32.9% and India's Sensex climbed 46.7%. In large part the stock markets rose because of cheap credit (to speculate), strong liquidity (huge financial, petrol and commodity profits and rents) and so-called 'reforms' which gave foreign investors greater access to markets in China, India and Brazil. The biggest profits in stock market speculation occurred under putative 'center-left' regimes (Brazil and India) and 'Communist' China, which have realigned themselves with the most retrograde and 'leading' sectors of their financial ruling class.

Russia's booming stock market reflects a different process involving the re-nationalization of gas and petroleum sectors, at the expense of the gangster-oligarchs of the Yeltsin era and the 'give-away' contracts to European/US oil and gas companies (Shell, Texaco). As a result huge windfall profits have been re-cycled internally among the new Putin era millionaires who have been engaged in conspicuous consumption, speculation and investment in joint ventures with foreign manufacturers in transport and energy related industries.

The shift toward foreign-controlled speculative capital emerging in China, India and Brazil as opposed to 'national and state' funded investment in Russia accounts for the irrational and vitriolic hostility exhibited by the western financial press to President Putin.

One of the major sources of profit-making is in the area of 'mergers and acquisitions' (M&A) – the buying and selling of multinational conglomerates, with $3,900 billion in deals for 2006. Investment banks took $18.8 billion dollars in 'fees' leading to multi-million dollar bonuses for 'M&A' bankers. M&A, hostile or benign, are largely speculative activity fueled by cheap debt and leading to the greater concentration of ownership and profits. Today it is said 2% of the households own 80% of the world's assets. Within this small elite, a fraction embedded in financial capital owns and controls the bulk of the world's assets and organizes and facilitates further concentration of conglomerates. The value of speculative M&A on a world scale is 16% higher than at the height of the 'DOTCOM' speculative boom in 2000. In the US alone over $400 billion dollars worth of private equity deals were struck in 2005, three times higher than the previous year.

To understand who are the leading members of the financial ruling class one needs only to look at the ten leading private equity banks and the value and number of M&A deals in which they were engaged:

Private equity rankings by M&A deals (Year to Dec 20 2006)

US	**Value $bn**	**Number**
Blackstone	85.3	12
Texas Pacific	81.9	11
Bain Capital Partners	74.7	9
Thomas H Lee Partners	53.4	6
Goldman Sachs	51.2	5
Carlyle	50.0	14
Apollo Management	44.9	7
Kohlberg Kravis Roberts	44.5	3
Merrill Lynch	35.9	3
Cerberus Capital Management	28.6	4
Industry Total	**402.6**	**1,157**

(Financial Times 12/27/2006 p 13 – FT montage:Bob Haslett

The crucial fact is that these private equity banks are involved in every sector of the economy, in every region of the world economy and increasingly speculate in the conglomerates which are acquired.

In the era of the ascendancy of speculative finance capital it is not surprising that the three leading investment banks, Goldman Sachs, Lehman Brothers and Bear Stearns reported record annual profits, based on their expansion in Europe and Asia, and their transfer of profits from manufacturing and services to the financial sector. For the year 2006, Goldman Sachs (GS) recorded the most profitable year ever for a Wall Street investment bank, on the basis of big (speculative) 'trading gains and lucrative investment in the world's worst sweatshops in Asia. GS reported a 69% jump in annual earnings to $9.54 billion dollars. Lehman Brothers (LB) and Bear Stearns (BS) equity banks also recorded record earnings. LB earned a record $4billion for the year. SB earned a record $2.1 billion dollars. For the year Lehman set aside about $334,000 dollars per junior banker, while top speculators and bankers earned a big multiple of that amount.

For the year 2006 investment banking revenue reached nearly $38 billion dollars compared to $25 billion dollars in 2004 – an increase of 34% (Financial Times Dec. 13, 2006 p.15).

The dominance of finance capital has been nurtured by the speculative activity of the controllers and directors of state-owned companies. *'State'* ownership is an ambiguous term since it raises a further more precise question: *'Who owns the state'?* In the Middle East there are seven state-owned oil and gas companies. In six of those companies the principal beneficiaries are a small ruling elite. They recycle their revenues and profits through US and EU investment banks largely into bonds, real estate and other speculative financial instruments (FT Dec 15, 2006 p.11). State ownership and speculative capital, in the context of closed 'Gulf-State' type of ruling classes, are complementary, not contradictory, activities. The ruling regime in Dubai converts oil rents into building a regional financial center. Many Jewish-American-led Wall Street investment banks cohabitate with new Islamic-based investment houses, both reaping speculative returns.

Much of the investment funds now in the hands of US investment banks, hedge funds and other sectors of the financial ruling class originated in profits extracted from workers in the manufacturing and service sector. Two inter-related processes led to the growth and dominance of finance capital: the transfer of capital and profits from the 'productive' to the financial and speculative sector and the transfer of finance capital overseas, in the form of take-over of foreign assets now equivalent of around 80% of the US GDP. The roots of finance capital are embedded in three types of intensified exploitation: 1) of labor (via extended hours, transfer of pension and health costs from capital to labor, frozen minimum wage, stagnant and declining real wages and salaries); 2) of manufacturing profits (through higher rents, inter-sectoral transfers to financial instruments, interest payments and fees and commissions for mergers and acquisitions); and 3) via state fiscal policies by lowering capital gains taxes, increasing tax write-offs and tax incentives for overseas investments and imposing regressive local, state and federal taxes.

The result is increasing inequality between, on the one hand, senior and junior bankers, public, private equity, investment and hedge fund directors, and their entourage of lawyers, accountants and, on the other hand, wage and salaried workers. Income ratios range between 400 to 1 and 1,000 to 1, between the ruling class and median wage and salary workers is the norm.

Crisis of the Working and Middle Class – (Begin to Worry the Ruling Class)

Living standards for the working and middle class and the urban poor have declined substantially over the past thirty years (1978-2006) to a point where one can point to a burgeoning crises. While real hourly wages in constant 2005 dollars have stagnated, health, pension, energy and educational costs (increasingly borne by wage and salary workers) have skyrocketed. If extensions in work time and intensification of work place production (increases in productivity) are included in the equation, it is clear that living (including working) conditions have declined sharply. Even the financial press can write articles entitled: *"Why Ordinary Americans have Missed Out on the Benefits of Growth"* (FT November 2, 2006 p.11).

Financial and investment banks are in charge of advising and directing the 'restructuring' of enterprises for mergers and acquisitions by downsizing, outsourcing, give-backs and other cost-cutting measures. This has led to downward mobility for the wage and salaried workers who retain their jobs even as their tenure is more precarious. In other words, the greater the salaries, bonuses, profits and rents for the financial ruling class engaged in 'restructuring' for M&As, the greater the decline in living standards for the working and middle class.

One measure of the enormous influence of the financial ruling class in heightening the exploitation of labor is found in the enormous disparity between productivity and wages. Between 2000 and 2005, the US economy grew 12%, and productivity (measured by output per hour worked in the business sector) rose 17% while hourly wages rose only 3%. Real family income fell during the same period (FT November 2, 2006 p.11). According to a poll in the fall of November 2006, three quarters of Americans say they are either worse off or no better off than they were six years ago (FT November 3, 2006 p.13).

The impact of the policies of the financial ruling class on both the manufacturing and service sectors transcends their profit skimming, credit leverage on business operations and management practices. It embraces the entire architecture of the income, investment and class structure. The growth of vast inequalities between the yearly payments of the financial ruling class and the medium salary of workers has reached unprecedented levels. The financial elite receives something in the range of a ratio of 500 up to 1000 times that of an average worker, depending on how narrowly or broadly we conceive of the financial ruling class.

Members of the financial ruling class have noted these vast and growing inequalities and express some concern over their possible social and political repercussions. According to the Financial Times (December 21, 2006), billionaire Stephen Schwartzman, CEO of the private equity group Blackstone warned "that the widening gap between Wall Street's lavish pay packages and middle America's stagnating wages risks causing a political and social backlash against the US's 'New Rich'". Treasury Secretary and former CEO of Goldman Sachs, Hank Paulson admitted that median wage stagnation was a problem and that amidst "strong economic expansion many Americans simply are not feeling (sic!) the benefits" (FT November 2, 2006 p. 11).

Ben Bernanke, Chairman of the Federal Reserve Bank testified before the Senate that "inequality is potentially a concern for the US economy…to the extent that incomes and wealth are spreading apart. I think that is not a good trend" (Ibid). In 2005 the proportion of national income to GDP going to profits, rents and other non-wage and salary sources is at record levels – 43%. Inequality in the distribution of national income in the US is the worst in the entire developed capitalist world. Moreover studies of time series data reveal that in the US inequality increased far greater and intergenerational social mobility was far more difficult in the US than any country in Western Europe. The growth of monstrous and rigid class inequalities reflects the narrow social base of an economy dominated by finance capital, its ingrown intergenerational linkages and the exorbitant entry fees ($50,000 per annum tuition with room and board) to elite private universities and post-graduate business schools. Equally important, the political power of finance capital and its 'associated' conglomerates wield uncontested political power in the US in comparison to any country in Europe. As a result the US government redistributes far less through the tax and social security, health and educational system than other countries. (ibid)

While some financial rulers express some anxiety about a 'backlash' from the deepening class divide, not a single one publicly supports any tax or other redistributive measures. Instead they call for increases in educational up-grading, job retraining and greater geographical mobility, though it is precisely among the educated middle class which is suffering salary stagnation.

Neither the Democratic Party majority in Congress, nor the Republican-controlled Executive offer any proposals to challenge the financial ruling class's dominance nor are there any proposals to reverse its most retrograde policies causing the growing inequalities, wage stagnation and the increasing rigidity of the class structure. The reason has been reported in the Wall Street Journal and the Financial Times: An overwhelming chunk of the funds that Democrats raise nationally for election campaigns comes either from Wall Street financiers or Silicon Valley software entrepreneurs. (FT November 3, 2006 p. 13). The Democratic congressional electoral campaign was tightly controlled by two of Wall Street's favorite Democrats, Senator Charles 'Israel First' Schumer and Congressman Rahm Immanuel, who selectively funded candidates who were pro-war, pro-Wall Street and unconditionally pro-Israel. Democrats slated to head strategic Congressional committees like Zion-Lib Barney Frank have already announced they have 'good working relations' with Wall Street.

The Financial Ruling Class Also Governs

Ruling classes rule the economy, are at the top of the social structure and establish the parameters and rules within which the politicians operate. More often than not few actually engage directly in congressional politics, preferring to build economic empires while channeling money toward candidates prepared to do their bidding. Only when an apparent division occurs, especially within the Executive, between the interests of the ruling class and the policies of the regime will elite members of the ruling class intervene directly or take a senior executive position to 'rectify' policy.

Ruling Class Political Power: Paulson Takes Over Treasury

Several sharp divergences occurred during the Bush regime between finance capital and policymakers. These policies prejudiced or threatened to seriously damage important sectors of the financial ruling class. Theses include: 1) the aggressive militarist and protectionist policies pursued by senior Pentagon officials and 'Zion-con' Senators toward China; 2) the political veto by Congress of the sale of US port management to a Gulf State-owned company and of a US oil company to China; 3) the failure of the Bush regime to secure the privatization of social security and to weaken the regulatory measures introduced in the aftermath of the massive corporate (Enron and World Com) and Wall Street swindles and 4. the need to put a check on the uncontrolled growth of fiscal deficits resulting from the Middle East wars, the ballooning trade deficits and the weakening dollar.

The headlines of the financial press (FT December 4, 2006 p.3) spell out finance capital's direct intervention into key White House policy making:

"Goldman Sachs Top Alumni Wield Clout in White House"

and

"Former Bank Executives Hold Unprecedented Power within a US Administration"

US financial and manufacturing ruling classes have long influenced, advised and formulated policy for US Presidents. But given the stakes, the risks and the opportunities facing the financial ruling class, it has moved directly into key government posts. What is especially unprecedented is the dominant presence of members from one investment bank – Goldman Sachs. In late November 2006, Goldman Sachs (GS) senior executive William Dudley took over the Federal Reserve Bank of New York markets group. Hank Paulson, ex-CEO of GS is Treasury Secretary – explicitly anointed by President Bush as undisputed czar of all economic policies. Reuben Jeffrey, a former GS managing partner is the chief regulator of commodity futures and options trading, Joshua Bolten, White House Chief of Staff (he decides who Bush sees, when and for how long – in other words arranges Bush's agenda) served as GS executive director. Robert Steel, former GS vice chairman, advises Paulson on domestic finance. Randall Fort, ex-GS director of global security, advises Secretary of State Rice. The ex-GS officials also dominate Bush's working group on financial markets and financial crisis management. The investment bankers wielding state power will control the Bush regime's biggest housing giants (Fannie Mae and Freddie Mac), tax policy, energy markets – all issues that directly affect the investment banks. In other words, the financial banks will be 'regulated' by their own executives. The degree of finance capital's stranglehold on political power is evidenced by the total lack of criticism by either party. As one financial newspaper noted: *"Neither Mr. Bush nor Goldman have been criticized by Democrats for holding too many powerful jobs in part because the investment bank (GS) also has deep ties to Democrats. Goldman represented the biggest single donor base to the Democrats ahead of this (2006) year's mid-term election".* (FT December 4, 2006)

Among Paulson's first moves was to organize a top level delegation to China and a working group to work on forming a 'strategic partnership'. Its task is to accelerate the 'opening' of China's financial markets to penetration and majority takeovers by US operated investment funds. This represents a potential multi-trillion dollar window of opportunity. By seizing the initiative Paulson hopes to undercut the anti-China cohort of neo-con, Pentagon and White House militarists, as well as backwater backers of Taiwanese independence and Congressional chauvinist demagogues like Senator Schumer who threaten to undermine lucrative US-Chinese economic relations.

To lower the fiscal deficit, Paulson proposes to 'reform' entitlements – reduce spending on Medicare and Medicaid and to work out a deal with the Democrats to privatize Social Security piecemeal.

Where finance capital has not been able to fashion a coherent economic strategy is with regard to Washington's Middle East wars. Because of the pull of the Zionist Lobby on many of leading lights of Wall Street – including its unofficial mouthpieces – the Wall Street Journal and the NY Times – Paulson has failed to formulate a strategy. He sis not even pay lip service to the Baker Iraq Study Group report's proposal to gradually draw down troops for fear of alienating some key senior executives of Goldman Sachs, Stern, Lehman Brothers et al who follow the 'Israel First' line. As a result, Paulson has to work around the Lobby by focusing on dealing with the Gulf city-state monarchies and Saudi Arabia in order to avoid another disastrous repetition of the Dubai Port management sale. Paulson above all wants to avoid Zionist political interference with the two way flow of finance capital between the petrol-financial-banking complexes in the Gulf States and Wall Street. He wants to facilitate US finance capital's access to the large dollar surpluses in the region. It is not surprising that the Israeli regime has accommodated their wealthy and influential financial backers on Wall Street by drawing a distinction between 'moderate' (Gulf States) with whom they claim common interests and 'Islamic extremists'. Israeli Prime Minister Olmert has directed his zealots in the US-Jewish Lobby to take heed of the refinements in the Party Line in dealing with US-Arab relations.

Nevertheless with all its concentrated political power and its enormous wealth and economic leverage over the economy, Wall Street cannot control or avoid serious economic vulnerabilities or possible catastrophic military-political events.

The Future of the Financial Ruling Class

What is abundantly clear is that one of the main threats to world markets – and the health of the financial ruling class – is an Israeli military attack on Iran. This will extend warfare throughout Asia and the Islamic world, drive energy prices beyond levels heretofore known, cause a major recession and likely a crash in financial markets. But as in the case of the relationships between Israel and the US, the Zionist Lobby calls the shots and its Wall Street acolytes acquiesce. As matters now stand, the pro Israel Lobby supports the escalation of the Iraq war and the savaging of Palestine, Somalia and Afghanistan. It has neutralized the biggest and most concerted effort by big name centrist political figures to alter White House policy. Baker, Carter, former military commanders of US forces in Iraq have been savaged by the Zionist ideologues. Under their influence the White House is putting into practice the war strategy presented by the 'American' Enterprise Institute (a Zioncon thinktank). As a result parallel to Bush's appointment of Paulson and Wall Streeters to run imperial economic policy, he has appointed an entire new pro-war civilian military-security apparatus to escalate and extend the Middle East wars to Africa (Somalia) and Latin America (Venezuela).

Sooner or later a break between Wall Street and the militarists will occur. The additional costs of an escalating wars, the continual ballooning debt payments, huge imbalances in the balance of payments and decreasing inflows of capital as multi-national repatriate profits and overseas central banks diversify their currency reserves will force the issue. The enormous and growing inequalities, the massive concentration of wealth and capital at a time of declining living standards and stagnant income for the vast majority, gives the financial ruling class little political capital or credibility if and when an economic and financial crisis breaks.

With foreign investors owning 47% of all marketable US Treasury bonds in 2006 compared to 33% in 2001 and foreign holdings of US corporate debt up to 30% today, from 23% just 5 years ago, a rapid sell-off would totally destabilize US financial markets and the economic system as well as the world economy. A rapid sell-off of dollars with catastrophic consequences cannot be ruled out if US-Zionist militarism continues to run amuck, creating conditions of extended and prolonged warfare.

The paradox is that some of the most wealthy and powerful beneficiaries of the ascendancy of finance capital are precisely the same class of people who are financing their own self-destruction. While cheap finance fueling multi-billion dollar mergers, acquisitions, commissions and executive payoffs, heightened militarism operates on a budget plagued by tax reductions, exemptions and evasions for the financial ruling class and ever greater squeezing of the overburdened wage and salary classes. Something has to break the cohabitation between ruling class financiers and political militarists. They are running in opposite directions. One is investing capital abroad and the other spending borrowed funds at home. For the moment there are no signs of any serious clashes at the top, and in the middle and working classes there are no signs of any political break with the two Wall Street parties or any challenge to the militarist-Zionist stranglehold on Congress. Likely it will take a catastrophe, like a White House-back Israeli nuclear attack on Iran to detonate the kind of crisis which will provoke a deep and widespread popular backlash of all things military, financial and made in Israel.

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