3

The Money Elite

The concentration of financial assets in America is even greater than the concentration of the assets of industrial corporations. Banks, insurance companies, and investment firms occupy a strategic position in the American economy. They decide whether, when, and under what terms American corporations, as well as state and local governments, can borrow money, sell stock, and expand or contract the money supply. These institutions are responsible to the independent Federal Reserve System and the Securities and Exchange Commission, both of which function largely beyond the control of Congress and the president, and both of which are composed of bankers and investors. The nation's elite includes the top officers and directors of the largest banks, insurance companies, investment firms, and the Federal Reserve Board.

THE CONCENTRATION OF FINANCIAL RESOURCES

There are more than 12,000 banks serving the nation, but the twenty-five largest banks control more than half of all the banking assets in the United States (see Table 3–1). Giant banking mergers in the last decade have resulted in a greater concentration of banking assets than at any time in recent history. Today three banking corporations—Citigroup, J.P. Morgan Chase, and Bank of America—control about one-third of all of the nation's banking assets. The

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TABLE 3–1 The Nation's Largest Banks

1	Citigroup[1]	14	Bank of New York Co.
2	J.P. Morgan Chase	15	Wachovia Corp.
3	Bank of America Corp.	16	Firstar Corp.
4	Wells Fargo	17	Mellon Financial Corp.
5	Bank One Corp.	18	Providian Financial
6	First Union Corp.	19	State St. Corp.
7	FleetBoston Financial	20	BB&T Corp.
8	U.S. Bancorp	21	Fifth Third Bancorp
9	National City Corp.	22	Comerica
10	Suntrust Banks	23	Southtrust Corp.
11	Keycorp	24	Regions Financial
12	MBNA	25	Amsouth Bancorp.
13	PNC Financial Svcs. Group		

[1]Includes Travelers Insurance.

Source: Derived from data provided in *Fortune*, April 16, 2001.

TABLE 3–2 The Nation's Largest Insurance Companies

	Life		
1	Metropolitan	6	Massachusetts Mutual
2	Prudential	7	AFLAC
3	New York Life	8	Unumprovident
4	Northwestern Mutual	9	Guardian Life
5	American General	10	Canseco
	Property		
1	State Farm	6	Liberty Mutual
2	American International	7	Nationwide
3	Berkshire Hathaway	8	Hartford
4	Allstate	9	St. Paul
5	Loews	10	USAA
	Health		
1	Aetna	6	Tenet
2	United Health Group	7	Humana
3	Cigna	8	Wellpoint
4	HCA	9	Health Net
5	Pacificare	10	Anthem

Source: Derived from data provided in *Fortune*, April 16, 2001.

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TABLE 3–3 The Nation's Largest Investment Firms

1	Morgan Stanley Dean Witter	6	Paine Webber
2	Merrill Lynch	7	Charles Schwab
3	Goldman Sachs	8	A.G. Edwards
4	Lehman Brothers	9	Franklin Resources
5	Bear Stearns	10	Raymond James Financial

Source: Derived from data provided in *Fortune*, April 16, 2001.

merger of J.P. Morgan and Chase Manhattan, and the merger of Bank of America with NationsBank, consolidated the nation's financial industry. The megafinancial giant, Citigroup, was created first through the merger of Citi-Corp with the Wall Street investment firms of Salomon Brothers and Smith Barney, followed by its acquisition of Travelers Insurance. Former Secretary of the Treasury Robert Rubin was named the first cochairman of the new giant of the financial world.

More than 2,000 insurance companies operate in the United States, but more than half of all insurance assets in the nation are controlled by the companies listed in Table 3–2. Indeed, just two companies (Prudential and Metropolitan) control over one-quarter of all insurance assets.

Mergers have reduced the total number of all Wall Street investment firms to those listed in Table 3–3. These firms decide whether, when, and under what terms corporations can sell stocks, bonds, and other securities. Moreover, these financial institutions have increasingly undertaken to challenge the traditional dominance of "inside" directors of industrial corporations for control of decision-making (see "Corporate Counter-Revolutions" in Chapter 2).

THE BANKING BOARDROOMS

The boardrooms of the nations' largest banks, insurance companies, and investment firms resemble corporate boardrooms, not only in their size and extravagant furnishings, but also in the people who occupy the plush leather chairs. Consider the boardroom of Citigroup in 2000 (Figure 3–1). It is presided over by Chairman and CEO Stanford I. Weill, who himself serves on the Board of Directors of AT&T, Du Pont, and United Technologies. The Chairman of the Executive Committee is former Secretary of Treasury Robert Rubin, himself a director of Ford Motor and former senior partner of Goldman Sachs. Former CIA Director John M. Deutch sits on the board of Citigroup as well as a number of large industrial corporations. Former President Gerald R. Ford sits on the board in an advisory capacity. We will return to the issue of interlocking directorates in Chapter 7.

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FIGURE 3–1 Inside the Boardroom at Citigroup

Sanford I. Weill. Chairman of the Board and CEO of Citigroup. Former chairman of Travelers Insurance, American Express, and Shearson Lehman brothers (investments). A director of AT&T, Du Pont, and United Technologies. A member of the Business Roundtable and a trustee of Cornell University.

Robert E. Rubin. Chairman of the Executive Committee of Citigroup. Former Secretary of the Treasury and former senior partner Goldman Sachs. A director of Ford Motor Co.

C. Michael Armstrong. Chairman and CEO of AT&T. Former Chairman and CEO of Hughes Electronics. A trustee of Johns Hopkins University and a member of the Council on Foreign Relations.

Alain J. P. Belda. Chairman and CEO of Alcoa.

Kenneth J. Bialkin. Senior Partner in Skadden Arps. A director of Travelers Insurance in the Municipal Assistance Corporation of New York ("Big Mac"). A member of the Council on Foreign Relations.

Kenneth T. Derr. Chairman and CEO of Chevron. A director of AT&T and Potlatch Corp. A member of the American Petroleum Institute and the Business Council.

John M. Deutch. Former Director of the CIA. A director of Cummins Engine, Raytheon, CMS Energy, and Araid Pharmaceuticals.

Rubin Mark. Chairman and CEO of Colgate Palmolive and a director of Time Warner.

Michael T. Masin. Vice-chairman of GTE. Former partner at O'Melvany & Myers. A director of Puerto Rico Telephone Company and a trustee of the Museum of Modern Art.

Richard D. Parsons. President of Time Warner. A director of Philip Morris and Estee Lauder.

Andrall E. Pearson. Chairman and CEO of Tricon Global Restaurants. Former president and CEO of Pepsico.

Franklin A. Thomas. Former president of the Ford Foundation. A director of Alcoa, Cummins Engine, Lucent Technologies, Pepsico, and Conoco.

Edgar S. Woolard, Jr. Former Chairman of the Du Pont Corporation. A director of Apple Computer and a member of the Business Council.

Gerald R. Ford. Advisory Director of Citigroup. Former President of the United States.

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BANKING "REFORM"

The financial industry is consolidating itself into ever larger concentrations of money and power. In 1999 Congress paved the way to consolidation by passing banking "reform." The Financial Services Modernization Act of 1999 is not the type of legislation that very many people outside elite circles know about. Yet it is likely to have major consequences for consumers as well as for the structure of the nation's elite system.

During the Great Depression of the 1930s, banks, investment firms, and insurance companies came under intense criticism as contributors to the nation's economic instability. The result, early in the administration of President Franklin D. Roosevelt, was the Glass-Steagall law, officially the Banking Act of 1933, that forced a separation between the banking and securities industries. The act was intended to protect bank depositors from having their funds intermingles with those of stock market speculators or speculated with by banks themselves.

In recent decades, megamergers of giant financial groups successfully circumvented the act. (For example, Citibank first merged with the Salomon Brothers and Smith Barney investment firms, and then later with Travelers Insurance, to create the megacorporation Citigroup. Former Secretary of the Treasury Robert Rubin was named cochairman of Citigroup following the merger.) But these key sectors of America's national elite still resented the Glass-Steagall law and began to call for its outright repeal in the 1980s. Progress was slowed, however, due to squabbling among banks, investment firms, and insurance companies over specific provisions of what they referred to as "banking reform." But by 1999, a general settlement had been reached; the Glass-Steagall Act was repealed and the "financial services" industry was freed of many bothersome government restrictions. The Financial Services Modernization Act is designed to allow the creation of giant financial supermarkets that will provide one-stop services to consumers—commercial banking; mortgage loans; life, health, home, and auto insurance; corporate and bond stock underwriting; and mutual fund, stock, and bond brokerage services.

Banking "reform" was accompanied by one of the largest spending sprees in American politics. Between 1993 and 1998, banks, investment firms, and insurance companies made nearly $250 million in soft money, PAC, and individual campaign contributions. More than $100 million was spent by these industries in the 1998 midterm congressional election alone (see Table 3–4). Both Democratic and Republican candidates prospered, but Republicans, having control of both houses of Congress in 1994, received the bulk of this largesse. About 40 percent of these contributions went to members of the committees that dealt directly with the content of the repeal bill—the House Banking and Senate Banking Committees. And, not surprisingly, the top indi-

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TABLE 3–4 Political Contributions by the Financial Industry

(Congressional campaign contributions, 1998, prior to the passage of the Financial Services Modernization Act of 1999[a])

Company	*Total*
Investment Firms	
Goldman, Sachs & Co.	$1,912,866
Citigroup[b]	1,051,608
Merrill Lynch	1,025,141
Morgan Stanley Dean Witter	889,294
Bear Stearns	832,181
Paine Webber	715,927
M.A. Berman Co.	660,850
Chicago Mercantile Exchange	648,300
J.W. Childs Associates	572,250
Investment Co. Institute	564,937
Total: Securities	51,660,995
Insurance Companies	
American Financial Group	1,472,645
Blue Cross/Blue Shield	1,415,690
National Association of Life Underwriters	1,355,500
Citigroup[b]	1,085,708
AFLAC	1,000,470
American Council of Life Insurance	841,005
American International group	768,465
Independent Insurance Agents of America	661,514
Cigna	615,960
Alfa Mutual Insurance	532,000
Total: Insurance	41,711,427
Banks	
BankAmerica	1,732,650
American Bankers Association	1,466,786
Bank One	1,259,588
J.P. Morgan & Co.	659,344
Chase Manhattan	633,061
America's Community Bankers	590,176
Citigroup[b]	471,430
Independent Bankers Association	469,804
First Union	429,352
Wells Fargo	387,503
Total: Banking	20,875,266

[a] Top ten campaign contributors, 1998, in each sector.

[b] Based on FEC data. Totals include contributions from subsidiaries.

Source: Center for Responsive Politics, based on Federal Election Commission data.

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vidual recipient (of nearly $2 million) was U.S. Senator Phil Gramm (R-Tex.), chairman of the Senate Banking Committee.

The top corporate contributors from the banking, securities, and insurance industries in the 1998 congressional elections represent the core of America's financial elite (see Table 3–4). In addition to their campaign contributions, these industries incurred more than $250 million in direct lobbying expenses over the two years prior to the passage of banking "reform."[1]

THE FEDERAL RESERVE BOARD

Money is far too important to be left to democratic governments. All of the advanced industrial democracies have created central banks to control the supply of money. These central banks function largely independently of their governments.

It became apparent in the United States at the beginning of the twentieth century that the control of money would have to be removed from direct government control and placed in the hands of bankers themselves. Moreover, it was generally agreed that bankers' power over money would have to be unrestricted by Congress or the president.

The Federal Reserve Act of 1913 created the Federal Reserve System. Its purpose is to decide on the nation's monetary policy and credit conditions, to supervise and regulate all banking activity, and to provide various services to banks. Federal Reserve banks are banks' banks; only banks may open accounts at Federal Reserve Banks.

The Federal Reserve System is fully independent—its decisions need not be ratified by the president, Congress, the courts, or any other governmental institution. It does not depend on annual federal appropriations, but instead it finances itself. Theoretically, Congress could amend or repeal the Federal Reserve Act of 1913, but to do so would be politically unthinkable. The only changes to the Act throughout the century have been to *add* to the powers of "the Fed." In the International Banking Act of 1978, the Fed was directed by the Congress to encourage economic growth, maintain high levels of employment, keep inflation low, and maintain moderate long-term interest rates.

The Federal Reserve System is governed by its seven-member Board of Governors, who are appointed for *fourteen-year terms.* Members are appointed by the president, with the consent of the Senate, but they may not be removed from the board except for "cause." No member has ever been removed since the creation of the Board in 1913. The powerful Chairman of the Board (see

[1] Center for Responsive Politics, 1999, according to figures reported by lobbyists under the terms of the 1995 Lobby Registration Act.

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"Alan Greenspan: Ruling over Money") serves only a four-year term, but the chairman's term overlaps that of the president, so that new presidents cannot immediately name their own chair. The board oversees twelve Federal Reserve Banks that serve various regions of the nation. Each Federal Reserve Bank has nine directors—six elected by member banks in the district and three appointed by the board of governors. Thus, control of the nation's money supply and the regulation of banks rest in the hands of bankers themselves.

CONTROLLING THE MONEY SUPPLY

Banks create money when they make loans. They simply create "demand deposits" and make them available to borrowers. Currency (cash) in circulation, together with demand deposits, constitute the nation's principal money supply—"M_1." Demand deposits far exceed currency in circulation. (Only about 5 percent of the money supply is in the form of cash.) Most money transactions consist of checks or electronic transfers; in normal times people are satisfied to accept these paper or electronic promises of banks in lieu of currency. But at times in the past, large numbers of people have demanded that their deposits be given to them in currency—creating a "run" on a bank. Inasmuch as the bank simply created these deposits, it cannot possibly pay all of its depositors (or even a significant portion of them) in currency. The bank fails, and depositors lose their money.

The Federal Reserve System was created by bankers primarily to stabilize the banking system and control the supply of money. The Fed requires all banks to maintain a reserve in currency or in deposits with a Federal Reserve Bank. If the "reserve ratio" is set at 20 percent, for example, a bank may only create demand deposits up to five times the amount of its reserve. (If it has $100 million in reserve, its total demand deposits cannot exceed $500 million.)

If the Fed decides that there is too much money in the economy (inflation), it can raise the reserve requirement, for example from 20 to 25 percent, reducing what a bank can create in demand deposits to only four times its reserve. (If a bank has $100 million in reserve, its total demand deposits would be limited to $400 million.) In this way the Fed can expand or contract money supply as it sees fit.

The Fed can also alter the money supply by changing the interest it charges member banks to borrow reserve. A bank can expand its deposits by borrowing reserve from the Fed, but it must pay the Fed an interest rate, called the "discount rate," in order to do so. The Fed regularly raises and lowers the discount rate, thereby making it easier or harder for banks to borrow reserve. Raising the discount rate tends to contract money supply; lowering it expands the money supply.

The Fed is also authorized to buy and sell U.S. Treasury bonds and notes

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in what is called "open market operations." Indeed, the assets of the Fed consist of U.S. bonds and notes. Each day the Open Market Desk of the Fed buys and sells billions of dollars worth of government bonds. If it sells more than it buys, it reduces its own reserve and hence its ability to lend reserve to banks; this contracts the money supply. If it buys more than it sells, it adds to its own reserve, enabling it to lend reserve to member banks and expand the money supply.

ALAN GREENSPAN: RULING OVER MONEY

Alan Greenspan was first appointed chairman of the Federal Reserve Board in 1987 by President Ronald Reagan. (Greenspan replaced the long-serving chair Paul Volcker, whose tight-money policies in the early 1980s ultimately brought down the high rates of inflation that had plagued the nation for most of the 1970s; Volcker went on to serve as chairman of the World Bank.) Born in New York City, Greenspan studied music at the prestigious Julliard School and enjoyed a brief but successful career as a professional saxophone player in a big swing band before returning to the classroom at New York University. He received an M.A. in economics in 1950 under the tutelage of Arthur F. Burns, who served as chair of the Federal Reserve from 1970 to 1978. After graduation, Greenspan formed his own economic consulting company, Townsend-Greenspan, which provided economic forecasts for some of America's largest corporations. In his spare time, Greenspan completed his Ph.D. at New York University and became a fan of the social philosopher and writer Ayn Rand. Greenspan embraced Rand's vision of a society in which every person could realize his or her own potential in any chosen field without government interference or regulation.

Greenspan began his public service in the Nixon Administration, serving on commissions and task forces, including the Commission on an All-Volunteer Armed Force. In 1974 President Nixon appointed Greenspan to chair the Council of Economic Advisers, a position Greenspan continued to hold under President Gerald Ford. When the Carter Administration came to Washington in 1977, Greenspan returned to running his private company.

In the early 1980s, Fed chair Paul Volcker instituted a tight-money policy that ultimately brought down the high rates of inflation which had plagued the nation for most of the 1970s. The Reagan Administration eventually complained that Volcker's stringent anti-inflationary policies were slowing economic growth. In August 1987 the Democrat Volcker handed in his resignation and Reagan nominated Republican Greenspan to follow him.

Like Reagan, Greenspan opposed higher taxes, but who the president had hoped would be a loyal Republican soldier often acted independently and disagreed with the administration over expanding the money supply. Greenspan's management of the Fed has been widely praised by both Demo-

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crats and Republicans. He has earned credibility with his fellow economists by avoiding the Washington political game. He is credited for his quick reaction to the stock market crash on October 19, 1987, when he ensured that Federal Reserve Banks would have enough money on hand to prevent panic following the record drop in stock prices. During the 1991 recession, Greenspan pushed interest rates down to a twenty-year low and cut required Federal Reserve funds in half in order to ease credit. As independent as the Fed itself, he frequently criticized Presidents Reagan and Bush and the Congress regarding huge federal deficits.

Having supervised the Fed over the nation's longest continuous period of economic growth and the emergence of federal budget surpluses, President Bill Clinton was obliged to reappoint Greenspan in 1999. The Fed chairman moved quickly in early 2001 to reduce interest rates when economic growth appeared to slow. He reduced them to an all-time low in 2001 following the September 11 terrorist attack.

THE SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission (SEC) was created not so much to regulate the stock market but rather to try to restore public confidence in it after the great market crash of 1929. Indeed, most major investment firms strongly supported the Securities and Exchange Act of 1934. President Franklin D. Roosevelt appointed a notorious stock market manipulator (and FDR's principal campaign contributor) Joseph P. Kennedy, President John F. Kennedy's father, to serve as the first Chairman of the SEC.

The SEC is comprised of five commissioners, appointed by the president for five years for staggered terms and subject to Senate confirmation. No more than three commissioners may belong to the same political party. Most appointees over the years have come from the ranks of loyal party supporters; few have been moneyed elites themselves. (A possible exception is the chairman, currently Arthur Leavitt, a former Wall Street investment banker, chairman of the American Stock Exchange, and editor of the Washington insider newsletter *Roll Call.*) But, unlike the Federal Reserve Board, the largely ministerial duties of the Securities Exchange Commission do not really require heavyweight commissioners.

The SEC's principal responsibility is to insure full disclosure of information to the investing public on the part of corporations offering to sell stock to the public. It can investigate violations of securities laws, but it has only civil, not criminal, enforcement authority. (Any evidence of fraud that it discovers is forwarded to the Justice Department for further investigation and prosecution.) The SEC also insures customer accounts at investment firms against the failure (bankruptcy) of these firms. Of course, it does *not* cover investor losses from market declines.

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THE SUPERRICH: DISTINGUISHING WEALTH FROM POWER

It is a mistake to equate *personal* wealth with economic power. Persons with relatively little personal wealth can exercise great power if they occupy positions that give them control of huge institutional resources. A president of a large corporation who came through the ranks of management may receive an income of only $5 million or $10 million a year, and possess a net worth of only $10 million or $20 million. Yet these amounts are relatively small when you consider that this person may control a corporation with annual revenues of $2 *billion* and assets worth $10 *billion* or $20 *billion.* (The contrast is even greater in government, where $80,000-a-year bureaucrats manage government expenditures of $50 *billion* a year!) The important point is that personal wealth in America is insignificant in comparison to corporate and governmental wealth.

One must occupy top *positions* in large corporate *institutions* to exercise significant economic power. The mere possession of personal wealth, even a billion dollars, does not guarantee economic power. Indeed, among America's billionaires—individuals with personal wealth in excess of $1 *billion*—there are people such as widows, retirees, and other inheritors who have never played any role in the family business. There are also many "independent operators" who have acquired great wealth in, say, independent oil operations or land speculation, but who do not occupy high positions in the corporate world. Of course, there are many billionaires whose personal wealth has come to them through their personal ownership of corporate shares. Familiar names—Ford, Rockefeller, du Pont, Mellon—are liberally sprinkled among the nation's top personal wealth-holders. However, their personal wealth is a *byproduct* of their role, or their ancestor's role, in the corporate structure.

Socialist critics of America often fail to comprehend the insignificance of personal wealth in relation to corporate and governmental resources. They direct their rhetoric against inequality in personal income in the nation, when in fact the greatest inequities occur in the comparisons between corporate and government resources and the resources of individuals.

The relationship between personal wealth and institutional power is described well by economist Adolf A. Berle:

> As of now, in the United States and in Western Europe, the rich man has little power merely because he is rich. . . . {He} amounts to little unless he connects himself with effective institutions. He must master past institutions or must create new ones. . . . However large his bank account, he can do nothing with it but consume. He can build or buy palaces, amuse himself at Mediterranean or Caribbean resorts, become a figure in Monte Carlo, Miami, or Las Vegas. He can amuse himself by collecting books or purchasing bonds. He can give libraries or laboratories to universities and have his name put on them. He can receive the pleasant but powerless recognition of decorations, honorary degrees, and even titles of nobility. None of these things entitle him to make decisions affecting

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TABLE 3–5 Total Wealth of the 400 Richest Americans

	1982	*1988*	*1992*	*2000*
Total net worth ($ billions)	$ 92	$220	$288	$1,200
Median net worth ($ millions)	$150	$375	$450	$1,450
Number of billionaires	13	51	71	274

Source: Derived from data in *Forbes*, www.forbes.com/lists.

> other men or to give orders (outside his household) with any likelihood they will be fulfilled. . . .
>
> So, if he wishes a power position, he must find it outside his bank account. He can, it is true, use the bank account to buy into, or possibly create, an institution. He can buy control of a small corporation. (Few rich men are left who are capable of buying individual control of really large ones.) He can undertake the management of that corporation. Then he can derive power from the institution—if, and only if, he is capable of handling it. Whatever power he has comes from the corporation or other institutions, and from such intellectual or organizing skill as he may have—not from his wealth, which is largely irrelevant.[2]

Even though personal wealth is not the equivalent of economic power, it is still interesting to observe the increasing concentration of wealth in America over the past several decades. *Income* inequality in general has grown: the income share of the top 5 percent of income recipients in the United States has grown from 14.4 percent in 1972 to 21 percent in 2000. Inequality of *wealth* is much greater and growing even faster. *Forbes* magazine regularly tracks the richest Americans—"the *Forbes* 400." In 1982 there were only 13 billionaires on the *Forbes* list; the total net worth of the entire list was only $92 billion dollars. In 2000 there were 274 billionaires, and the total net worth of the list was an astonishing $1.2 trillion (see Table 3–5).

A list of the richest Americans (see Table 3–6, pages 52–53) includes at least two categories—descendants of old and established families whose wealth is inherited from large corporate enterprises, and newly rich individuals whose wealth is derived from "independent" oil operations, real estate speculation, fast foods and discount merchandising, or more recently the aerospace and computer industries. In 1918, the first year for which a reasonable estimate of the nation's wealthiest Americans is available, virtually all of the names on the list were newly rich, having acquired great wealth within a single generation. These were the great entrepreneurs of America's Industrial Revolution—Rockefeller, Carnegie, Frick, Harkness, Ford, Vanderbilt, Morgan, and so on. Only a few of the wealthiest Americans in the early twentieth century were inheritors: for example, the Astors, whose original fortune

[2] Adolph A. Berle, *Power* (New York: Harcourt Brace Jovanovich, 1967), p. 92.

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was made in the North American fur trade; and the du Ponts, who manufactured gunpowder in Delaware even before the Revolutionary War. However, by mid-century, the great families of the Industrial Revolution had become the nation's established wealth-holders. Their wealth was tied to the large corporations and banks which their ancestors had founded.

It is widely believed that great personal wealth in America today is inherited and that opportunities to acquire great personal fortunes dried up after the Industrial Revolution. C. Wright Mills wrote that "Wealth not only tends to perpetuate itself, but . . . tends also to monopolize new opportunities for getting great wealth. . . . In none of the latest three generations has a majority of the very rich been composed of men who have risen."[3] But Mills and other Marxist critics of American society are *wrong!* All of the available evidence points to considerable social mobility among the wealthiest Americans.

Today most of America's top wealth-holders are self-made single-generation tycoons. On the lists of billionaires and centimillionaires, the names of self-made men and women outnumber heirs to family fortunes, and first- and second-generation immigrants abound. Moreover, in every successive list of top wealth-holders over the decades there are as many dropouts and newcomers as holdovers. It is true that America's great nineteenth-century industrial fortunes have held together remarkably well, despite inheritance taxes and family dispersions.[4] But in each generation, America produces a new crop of superrich entrepreneurs.

Representative of the newly rich in 1968 were the seven wealthiest Americans—J. Paul Getty and H.L. Hunt, whose fabulous fortunes were amassed in independent oil operations; Howard Hughes, whose fortune was made in the aerospace industry, as well as David Packard and William Hewlett; Edward H. Land, an inventor whose self-developing camera was the foundation of the Polaroid Corporation; and Daniel K. Ludwig, who wisely purchased war-surplus oil tankers in anticipation of U.S. dependence on foreign oil.

By 1987 additional new names on the roster of the superrich emerged from the burgeoning computer industry—William Gates, the "boy wonder" billionaire who dropped out of Harvard to found Microsoft; and Ross Perot, who founded his own software company, Electronic Data Systems. Other newly rich included the Bechtels, whose giant construction firm is the world's largest privately owned enterprise; Ray Kroc, who founded McDonald's; Forest Mars, the original creator of the Milky Way bar and other candies; the Bass brothers, independent oil operators; and Sam Walton, who opened his first Wal-Mart Store in rural Arkansas in 1962.

By 2000, the list of the wealthiest Americans was dominated by newly rich entrepreneurs from the computer world—William Gates and his partners from Microsoft, and the founders of Oracle, Intel, Qwest, Dell, Hewlett-

[3] C. Wright Mills, *The Power Elite* (New York: Oxford University Press, 1956), p. 105.

[4] See Michael Patrick Allen, *The Founding Fortunes* (New York: Dutton, 1987).

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TABLE 3–6 America's Superrich

1918 *"Wealthiest Americans"*	*1968* *"Centimillionaires"*	*1987* *"Billionaires"*	*2000* *"50 Wealthiest Americans"*
J.D. Rockefeller (oil)	J.P. Getty (oil)	S.M. Walton (retail)	William H. Gates (computers—Microsoft)
H.C. Frick (coke, steel)	H. Hughes (aerospace)	J.W. Kluge (communications)	Joseph Ellison (computers—Oracle)
A. Carnegie (steel)	H.L. Hunt (oil)	H. Ross Perot (computers)	Paul Allen (computers—Microsoft)
G.W. Baker (banking)	E.H. Land (Polaroid)	D. Packard (aerospace)	Warren Buffet (investments—Berkshire Hathaway)
W. Rockefeller (oil, RRs)	D.K. Ludwig (shipping)	S.I. Newhouse, Jr. (publishing)	Gordon Moore (computers—Intel)
E.S. Harkness (oil)	Alisa M. Bruce (Mellon)	D.E. Newhouse (publishing)	Philip Anschutz (computers—Qwest)
J.O. Armour (meat packing)	P. Mellon (Mellon)	Lester Crown (defense)	Stephen Ballmer (computers—Microsoft)
H. Ford (cars)	R.K. Mellon (Mellon)	K.R. Murdoch (publishing)	Alice Walton (retail stores—Wal-Mart)
W.K. Vanderbilt (RRs)	N.B. Hunt (oil)	W.E. Buffet (stock market)	Helen Walton (retail stores—Wal-Mart)
Ed. H.R. Green (banking)	J.D. McArthur (insurance)	L.H. Wexner (retail)	Jim Walton (retail stores—Wal-Mart)
Mrs. E.H. Harriman (RRs)	W.L. McKnight (3M)	J.A. Pritzker (real estate)	John Walton (retail stores—Wal-Mart)
V. Astor (real estate)	C.S. Mott (GM)	R.A. Pritzker (real estate)	Robson Walton (retail stores—Wal-Mart)
J. Stillman (banking)	R.E. Smith (oil)	E.M. Bronfman (liquors)	Michael Dell (computers—Dell)
T.F. Ryan (transit, tobacco)	H.F. Ahmanson (banking)	Barbara C. Anthony (inherited)	Sumner Redstone (media—Viacom)
D. Guggenheim (mining)	C. Allen, Jr. (banking)	Ann C. Chambers (publishing)	John Kluge (media—Metromedia)
C.M. Schwab (steel)	Mrs. W.V. Clark, Sr. (Avon)	Ted Arison (cruises)	Charles Ergen (media—satellites)
J.P. Morgan (banking)	J.T. Dorrance, Jr. (soup)	A.A. Taubman	Rupert Murdock (publishing)
Mrs. R. Sage (banking)	Mrs. A.I. du Pont (Du Pont)	H.L. Hillman (inherited)	Barbara Cox Anthony (publishing)
C.H. McCormick (farm machinery)	C.W. Englehard, Jr. (mining)	M.H. Davis (oil)	Ann Cox Chambers (publishing)
J. Widener (transit)	S.M. Fairchild (cameras)	W.R. Hewlett (aerospace)	Abigail Johnson (insurance—Fidelity)
A.C. James (mining, RRs)	L. Hess (oil)	Harry Helmsley (hotels)	Henry Nicholas (communications—Broadcom)
Nicholas F. Brady (transit)	W.R. Hewlett (aerospace)	P.F. Anschutz	Henry Samueli (communications—Broadcom)
J.H. Schiff (banking)	D. Packard (aerospace)	Anheuser Busch, Jr. (beer)	Charles Schwab (investments—Charles Schwab)
J.B. Duke (tobacco)	A. Houghton (Corning Glass)	J.T. Dorrance, Jr. (soup)	Robert "Ted" Turner (media—Turner Communications)

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G. Eastman (cameras)	J.P. Kennedy (investments)	M.J. Petrie (retail)	William Hewlett (computers—Hewlett-Packard)
P.S. du Pont (gunpowder)	Eli Lilly (drugs)	E.M. Kauffman (drugs)	Theodore Waitt (computers—Gateway)
L.F. Swift (meat packing)	F.E. Mars (candy)	Ray Lee Hunt (oil)	David R. Huber (fiber optics)
J. Rosenwald (mail orders)	S.E. Newhouse (newspapers)	E.J. DeBartolo (real estate)	James Goodnight (computers)
Mrs. L. Lewis (oil)	Marjorie M. Post (foods)	W.H. Gates, III (computers)	Kirk Kerkorian (casinos, investments)
H. Phipps (steel)	Mrs. J. Mauze (Rockefeller)	D.L. Bren (real estate)	Craig McCaw (telephones)
	D. Rockefeller	S.J. LeFrak (real estate)	Forrest Mars (candy)
	J.D. Rockefeller	R.M. Bass (oil)	John Mars (candy)
	L. Rockefeller	E.L. Gaylord	Daniel Smith (fiber optics)
	N. Rockefeller	F.E. Mars, Sr. (candy)	David Filo (computers—Yahoo)
	W. Rockefeller	F.E. Mars, Jr. (candy)	Thomas Siebel (systems)
	Cordelia S. May (Mellon)	J.F. Mars (candy)	Jerry Yang (computers—Yahoo)
	R.M. Scaife (Mellon)	J.M. Vogel	John Morgridge (computers—Cisco)
	D. Wallace (*Reader's Digest*)	H.C. Simmons (investments)	Robert Pritzker (investments)
	Mrs. C. Payson (Whitney)	Sol Goldman	Thomas Pritzker (investments)
	J.H. Whitney	Margaret H. Hill (Hunt oil)	Eli Broad (real estate)
		Sid R. Bass (oil)	Donald Newhouse (publishing)
		Lee M. Bass (oil)	George Soros (investments)
		L.A. Tisch (theaters, CBS)	Lee Bass (oil)
		P.R. Tisch (theaters, CBS)	Jeffrey Bezos (computers—Amazon)
		David Rockefeller	John Simplot (potatoes)
		L.N. Stern	Alfred Lerner (banking)
		C.H. Lindner, II	Pierre Omidyar (computers—eBay)
		Roger Milliken	Edgar Bronfman (Seagram)
		Joan B. Kroc (McDonald's)	Sid Bass (oil)
			Philip Knight (sportswear—Nike)

Lists ranked in order of estimated wealth.

Sources: 1918—*Forbes Magazine*, March 2, 1918, reprinted in *Forbes Magazine*, Fall 1983; 1968—*Fortune*, May 1968; 1987—*Forbes Magazine*, October, 1987; 2000—*Forbes* People list, 2001, at www.Forbes.com.

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Packard, Gateway, Yahoo, Cisco, and eBay. (Their wealth was exaggerated by the spectacular run-up of technology stock prices in the late 1990s; it remains to be seen whether all of them will remain among the wealthiest Americans in future years.) Among the inheritors on the list now are the Walton, Cox, Mars, and Bass families. But even these families are relative newcomers, having acquired their wealth in the second half of the twentieth century.

America's wealthy are wealthier than ever. In 1968 it required only $100 million ("centimillionaire" status) to be listed among the nation's wealthiest. By 1987 it required $1 billion; indeed, *all* of the nation's "billionaires" are listed for that year in Table 3–6. But in 2000, *Forbes* lists over one hundred billionaires. To make the top 50 on the list on Table 3–6, a person had to possess a net wealth of nearly $5 billion. (William Gates' fortune is estimated to be $68 billion.) Ross Perot, the Koch family, the Bechtel family, and Hollywood's David Geffen, all with only $3 to $4 billion, did not make the top 50 list.

SUMMARY

America's financial assets are heavily concentrated in the nation's largest banks, insurance companies, and investment firms. Indeed, just 25 banks, out of more than 12,000 serving the nation, control over half of all banking assets in the United States.

The concentration of financial assets in America will likely accelerate as result of "banking reform"—the Financial Services Modernization Act of 1999. This Act allows megamergers of banks, bank holding companies, insurance companies, and investment firms. The financial giant Citigroup may be a forerunner of future concentrations of money and power.

Control of the nation's money supply is vested in the Federal Reserve System—the Fed—and its powerful Board of Governors. This central banking system functions independently of Congress or the president. It determines interest rates, regulates financial activity, and provides various services to banks throughout the nation. Fed governance is largely in the hands of bankers themselves. The Securities and Exchange Commission plays a lesser role in the nation's financial affairs, principally ensuring full disclosure of information to the investing public on the part of corporations offering to sell stock.

Personal wealth does not necessarily guarantee economic power. Personal wealth must be institutionalized in order for the wealthy to exercise real power in America. The nation's top wealth-holders include both old and established families whose wealth has been passed down through generations and newly rich individuals whose wealth is derived from expanding new enterprises. Indeed, there are as many newly rich people among America's top wealth-holders as there are inheritors.

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