Colombian financial oligarchy

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Resume of "The Financial Oligarchy"

By Gonzalo Garcia

The purpose of this research is to analyse the social, economic and political organization of the "financial oligarchy" of Colombia. In the study the author attempts to determine whether the financial oligarchy is a class, a fraction of a class, an isolated social group, or an institution. Furthermore, he strives to determine whether the financial oligarchy is part of the capitalist class itself, and if the financial oligarchy could be a ruling class or if the capitalist class as a whole could be considered as the ruling class.

In order to present a clearer view of the political and economic role of the financial oligarchy the author studies their main economic institution, "the financial group" to determine whether it is a private enterprise, a family firm, a corporation, a monopoly of financial institutions or a colescence of banking and industrial monopoly associations. Further, the author analyses the financial and credit system and the function of credit in the process of production, in the reproduction of capital and in the concentration and centralization of capital.

It is also the attempt of this research to establish the location within the financial groups of the very top men, and if the top financiers are a distinct breed of men, or if they are merely a miscellaneous collection of Colombians. Does the financial oligarchy consist of a cross-section of Colombians who happen to be successfull, or are they a quite uniform social type which has had exceptional advantages of origin and training?

How have they climbed to the top levels of Colombian finance capital? How have they maintained their positions and how does job recruitment take place?

Studying the social mobility of the Colombian financial oligarchy the author develops two different types of movements. The first, a vertical movement, is moving from a lower occupational background to a position in the financial oligarchy - movement out of the occupation of the father, through a succession of positions to a position in the financial oligarchy. The second, a horizontal movement, is from a financial background to a position in the financial oligarchy - movement through a series of occupations with the intention of establishing in their own persons the position their father occupied in the financial oligarchy. These two movements give rise to two main groups: "The mobile oligarchy" and "the birth oligarchy". At the same time, the "mobile financial oligarchy" can be divided into two groups: "The well-born mobile oligarchy" and "the social-climber mobile oligarchy" The "social-climber" moves from an occupational background out of the capitalist class or landowner class to a position in the financial oligarchy. And the "well-born" move from a capitalist (agricultural, commercial and industrial bourgeoisie) or landowner background to a position in the financial oligarchy.

The financial capital is controlled by financial groups, which are composed of a linkage of banks, insurance companies, financial corporations, savings and loan corporations, wharehouses, investment trusts, development funds, the central bank and great commercial and industrial enterprises. This linkage is affected by a small number of individuals: top shareholders, chairmen of the boards, presidents, vice-presidents, and others, who comprise top management. They may thus be said to preside over a combination of functions and thereby acquire a good measure of control over a slice of capitalism's sphere of operations.

The author demonstrates that the separation of ownership and control in Colombian financial oligarchy does not exist. In the first place, the managers are very often owners; secondly, even when mangagers are not important shareholders in their own groups, they are usually quite wealthy men; thirdly, they are mutually interested in high profits and profitable espansion; and fourthly, the recruitment of managers and shareholders is predominantly from the upper strata of society.

In conclusion, the advent of finance capital has created an oligarchy within the capitalist class itself. The top groupings of finance capital have constituted collectively the top stratum of the capitalist class, and in effect, decide policy, acting not simply with a view of their own particular interests but from their conception of the interests of their class as a whole. The political rule of the finance capital is not a matter of absolute power. It is a matter of pursuing class interests in conditions of class struggle on a national and international scale.

C O L O M B I A N F I N A N C I A L
O L I G A R C H Y

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T A B L E   O F   C O N T E N T S

INTRODUCTION.

THE PROBLEM

A socio-economic study of Colombian society must take into account the basic power structure prevailing in this society. Any scientific investigation, whether it be indigenous, peasant or urban, is part of a wider society, and therefore is affected by powerful pressures, forces which control the tangle of dependency relations of these groups. In Colombia this power system is enforced through a minority group, the financial oligarchy, which constitutes a very real and effective pressure group. From this group emanate the major decisions that perpetuate the structure of power.

A very small class of people owns a very large share of the wealth in Colombia and derives a great deal of privileges from that ownership. For example, if we look at the monthly income of the urban and rural population we find that while 0.77 per cent of the total population - rural 0.08 per cent, urban 1.20 per cent - gets more than 10,000.00 pesos per month, 71.97 per cent - rural 89.5 per cent, urban 60.6 per cent - gets less than 1,000 pesos per month. (1)

The majority of the Colombian population has extremely low incomes, especially among rural dwellers, where 89.5 per cent get less than 1,000.00 pesos and only 0.08 per cent recive more than 1,000.00 pesos. (2)

There is also a great concentration of financial and industrial resources that perpetuate a small but powerful social class. In 1970, the five largest commercial banks in the country allegedly accounted for more than 80 per cent of the capital, reserves and profits of all Colombian banks. As of 1969, nine per cent of the biggest industrial firms control almost nine tenths of the total national industrial investment, take part in 75 per cent of the national manufacturing production, and paid 82 per cent of all the national industrial salaries. (3)

Ownership of land in Colombia is also highly concentrated. Less than four per cent of farm properties contain about two thirds of the readily available and cultivable land. (4)

Until now, Colombian education has been largely education for the sons of this minority class. Only five per cent of those over school age have completed secondary education and only one per cent higher education. (5) A study of owners and managers of large business enterprises in Bogota indicated that 52 per cent of those questioned had at least attended a university, and only 6 per cent had not completed their secondary education. (6) Approximately 37 per cent of Colombians 15 years of age and older are illiterate. (7) More than half of Colombian primary schools, including the overwhelming majority of the schools in rural areas, do not teach beyond the second grade. (8) Such denial of education restricts access to prestige and skills for the majority of the Colombian population. The availability of education to this minority group, on the other hand, provides it with the intellectual tools and cultural attributes necessary to complement its power.

None of the groups within Colombia, indigenous, peasant or urban, are isolated from the rest of society. All are interrelated simultaneously, with one another and with the whole of society. Hugo Burgos writes the following:

> The Indians in Riobamba probably have never been isolated. They have always constituted a part of the whole society. Therefore, any study of internal colonialism must include something more than a survey of the relations woven among mestizos and Indians. It must also deal with the relations between underdeveloped regions populated by mestizos and Indians who are still living under an incipient form of capitalism, and more developed regions that are incorporated to a dynamic capitalist process, regions often situated at the seashore, and called development poles. The colonial situation must be studied in relation to the to the global society, and even more important, its dependency on that society, must be referred to. (9)

> Indians, integrants of a relatively classless society, are suffering the detrimental actions exerted by internal colonialism, at a national level, and by economical colonialism (imperialism) at an international level. The mechanisms employed to divert their natural and human resources towards developed zones and countries, deepen inequality and desintegration more and more, causing great concern to contemporary man. (10)

No social scientist can accurately analyse a social group and ignore the determinant factors of social change or ignore its dependency relations with other groups, with this minority class, the financial oligarchy, and with the general society.

We know that presently all social groups in Colombia are undergoing rapid change, including a rapid process of urbanization. I intend to show that without adequate knowledge of the structure of the financial oligarchy it is not possible to understand fully the causal factors of change within the larger society of Colombia.

Our Indian groups have been affected in serious ways by "pro-Indian" or "indigenista" state legislation and policies which have reinforced its dependency relations. One example will illustrate the paternalist content of laws affecting the Indian population:

> Indians are submitted by the present law to the condition of minors. (11)

If we were to investigate peasant groups, we would encounter that the laws pertaining to agrarian reform, established in 1941 (law 135 and the Chicoral Agreement), have played a major part in determining the economic structure of this group.

The development of our peasants is dependent upon their access to land, on technical assistance and credit facilities. Who determines these factors, and who is responsible for managing them? What modifications should be carried out to alter them? No analysis of Colombian society would be complete if we ignore these and other related aspects such as unemployment, inflation, political corruption, economic and social inequality and under-development which are all problems that affect Colombian social structure.

From this perspective it becomes crucial to analyse the role of financial capital and the social group that controls it.

> Financial capital concentrated in the hands of a few which exert a virtual monopoly, gets enormous and ever-growing profits, through the constitution of societies; the emission of values, bonds, state loans, etc., strengthen the oligarchy's financial domination and imposes tribute on the whole of society, for the benefit of the monopolists. (12)

> A non-economic superstructure based on financial capital, its politics, its ideology, supports the tendency to colonial

> conquests. Financial capital is not used towards freedom, it is a weapon for domination, as Hilferding so aptly put it. (13)
>
> The characteristic feature of imperialism is precisely that it tends to annexation, not only of agrarian regions, but annexation of highly industrialized regions. (14)

There is agreement among Marxists as well as many reformists that the principal cause of Latin American and Colombian underdevelopment is imperialism. But who is the immediate enemy, the first enemy to be fought in the revolutionary struggle? Is the immediate enemy imperialism, or is it located within Colombian society? To answer these questions we have to study this minority group and how it interrelates with imperialism and with the rest of Colombian society.

We already know that the upper class is a minority group with enough power to determine the Colombian socio-economical structure. But who composes this upper class? Within this minority group, who controls more means of production, who has more power, who could be considered the ruling group?

In 1974, I submitted to the Department of Anthropology, at the University of Los Andes, a thesis entitled "The Ruling Class in Colombia", where I attempted to show the following points: 1) That the upper class is divided in two main classes: the high bourgeoisie and the big landlords; 2) That within the upper class, there can be found a plurality of structures; economic, political, military and mass communication structures; 3) That within the economic structure there can be found the following substructures: the industrial, commercial, financial and agricultural structures; 4) I also attempted to establish that the different structures and substructures of the upper class are vertically stratified into two superimposed substructures, the national and the intermediary. The national structure is to some extent a group interested in the development of national resources whereas an intermedian substructure is a group that grows rich from links with foreign monopoly capital.

The most important conclusion of the thesis was that the "ruling class" was located in the economic structure and within this in the financial intermediary substructure, and therefore, that the financial oligarchy was the immediate intermediary of imperialism and the rest of the Colombian society. The imperialist involvement in Colombia is based principally on a client relationship maintained with the financial oligarchy, while the latter maintains a similar client relationship with the landowning class and with the rest of the Colombian bourgeoisie.

In the above thesis, I analysed the political and the economic power of inancial capital, but I did not study the social group that controls it.

I treated it as an economic force and not as a social group with its own structure. Therefore the object of the present research is to analyse the social, economic and political organization of this group, the financial oligarchy.

In order to study the financial oligarchy, we have to determine if it is a class, a fraction of a class, an isolated social group or an institution. We must dtermine, furthermore, whether the "financial oligarchy" is part of the capitalist class itself, and if the "financial oligarchy" could be a ruling class or if only the capitalist class as a whole could be considered as the "ruling class".

To understand their economic and political role we have to study their main economic institution, "the Financial Group", We have to determine if it is a private enterprise, a family firm, a corporation, a monopoly of financial institutions or a coalescence of banking and industrial monopoly associations. We have to analyse the financial and credit system and the role of credit in the processes of production, reproduction of capital and concentration of capital.

Another important question is the location within the financial groups of the very top men, the leaders who order and control its vast operations.

Are all owners and managers of the financial groups part of the financial oligarchy, or is there a financial corporate hierarchy? Do they represent a cross-section of Colombians who happen to be successful or are they a quite uniform social type which has had exceptional advantages of origin and training? How have they risen to the top levels of Colombian finance capital? How have they maintained their positions and how does recruitment take place?

The Colombian upper class argues that financial capital is not controlled by a handful of magnates. It is argued that the financial oligarchy is divided into two irreconcileable factions: the owner of capital (the shareholder) and the controller of the corporation (the manager). It is claimed that control by a small group of dominant shareholders is not presently important and that control is exercised by a professional management class which is not itself in control of ownership. Therefore, one main objective of our present work is to analyse the relationship between ownership and control in the financial groups:

a) to determine if ownership and control are in the hands of the same people and,

b) to determine what are the interests of manager and of owner and whether these interests differ.

RESEARCH METHOD

For the analysis of peasant or urban societies, traditional anthropological techniques of research are not adequate, and anthropologists will have to borrow techniques that, to date, have belonged to other social sciences. Anthropologists have to consider the possibility of using in their investigations, statistical analysis and other sources of information such as: newspapers, magazines, radio, movies and television. If it is necessary, they have to apply other models of analysis even if they were developed by economic and political sciences. Anthropologists may find it indispensable to employ computers, mathematical models, or different systems of interviewing.

For the analysis of any of the social groups we must understand the society's framework and the inter-relationships of these social groups. We must know how to handle concepts such as National Development, Inflation, Economic Growth, Unemployment, Devaluation, External Dependency, Class Struggle, Balance of Payments, Gross National Product, etc. An anthropologist should have sufficient knowledge of these concepts in order to develop models of analysis that will evaluate the economic and political power of the "Financial Oligarchy" and therefore define how it affects national society.

In order to analyse the structure of the Colombian "Financial Oligarchy" the present research proceeds the following steps:

a) Library research;
b) Documental and statistical information on the most important financial enterprises;
c) Research at governmental and other centers of statistical information;
d) Personal interviews with persons who excercise control over financial resources or are closely acquainted with the financial groups.

a) LIBRARY RESEARCH

Research on general concepts which are important to determine the methods of research and the theoretical background.

1. The different theories in the interpretation of the concept of "ruling class".
2. The function of credit in the reproduction of capital.
3. The function of credit in the process of concentration and centralization

of capital.

4. Different types of Financial Institutions.
5. Financial capital
6. Monopolization
7. The difference between ownership and control.
8. Different systems of interview
9. The concept of class
10. Social mobility
11. Structure of dependency
12. Education in Colombia
13. Analysis of foreign and national loans
14. National distribution of income
15. Financial groups
16. The State and the "Ruling Class"
17. Social stratification
18. Historical materialism
19. Agrarian structure [illegible]
20. Military structure

b) RESEARCH OF DOCUMENTS AND STATISTICAL INFORMATION ON THE MOST IMPORTANT FINANCIAL INSTITUTIONS

The Colombian financial structure covers a very complex system of private, official and semi-private organizations:

1. Privately owned commercial banks

2. Foreign commercial banks
3. Government owned commercial banks
4. Insurance companies
5. Warehouses
6. Investment trusts
7. Finance corporations
8. Savings and loan corporations
9. Other credit sources

c) GOVERNMENTAL AND PRIVATE CENTERS OF STATISTICAL INFORMATION

1. DANE - National Department of Statistical Analysis
2. The BANK DE LA REPUBLICA
3. The Chamber of Commerce
4. The Ministry of Agriculture
5. The Ministry of Development
6. The Banking Association
7. The Department of National Planning
8. The National Coffee Federation

d) PERSONAL INTERVIEWS WITH PERSONS WHO CONTROL FINANCIAL RESOURCES

My field-work covered a period of one year and seven months and included 150 interviews of persons involved or closely acquainted with financial and industrial enterprises: 1. Members of boards of directors; 2. Presidents and vice-presidents; 3. Shareholders; and 4. Managers of departments.

The research took place in Bogotá since the capital is the focus of economic concentration and where the management of the most important financial, industrial and agricultural enterprises are found. In other colombian cities there are only branches of the principal enterprises.

In order to carry out interviews among the "Financial Oligarchy", the researcher must offer a very good reason, for example, propose an interchange of business or publicity for the interview. If the researcher does not have such a reason, he must create one; otherwise he will not receive an appointment, as "time is gold and the company will lose money if its manager gets involved in an unimportant matter". In my case, I used my job in "Almacenar" (a warehouse belonging to the Bank of Commerce and the Bank of Colombia) as an excuse to interview most of the men. To the people that I could not find any business excuse to discuss with, I had to state that I was writing a book about "the most important people in Colombia". To prove this I had to show them a letter from the "Latin American Publishing House", saying that they were going to publish the book. In any event, I had to cover up my real purpose in order to obtain the interviews.

Warehouses are part of the financial structure. Warehouses in Colombia are simply branches of the commercial banks. In general, their functions are to receive goods in commission and to give back security bonds which are discounted by commercial banks and financial corporations. A security bond is a credit in which the merchandise acts as a guarantee. Working in "Almacenar" gave me an excellent opportunity to observe the banking system, its importance in the economic structure, and the people who control it.

Another crucial aspect which helped my research is that I worked in "Almacenar" as a manager of the Public Relations Department, in which my role was to increase the deposits of goods within the warehouse and the purchase of security bonds. Therefore I had to deal with clients who were industrialists, agriculturalists, etc., and with bankers. In other words, I offered banking credit in order to obtain merchandise in deposits for which the company charged a monthly rental fee.

When I started my field work I thought I could do the interviews with a very concretely written 'yes-no' questionnaire. I made five different types depending on their position in the "Financial Oligarchy".

The questions were direct and short, so I could analyse them in a computer. The questionnaires could be answered in 50 minutes. It seemed, at the time, a very efficient system, easy to administer and easy to analyse.

When I first sought appointments I used to state my exact purpose for the interview. I spent three months and only obtained seven interviews and completed five questionnaires. It was a complete failure. Nobody was interested in collaborating with the research. I then decided to devise a new strategy. I had to "sell" them the idea. It had to have some value or interest for them. That was the reason why I had to use my job as an excuse, and I had to cover up the subject of the research.

In sum, I encountered the following problems:

1. I did not interview gratis. I exchanged it for publicity, credit, etc;
2. I disquised my status as a student, as they are not interested in a university experiment. They believe "They waste time with immature people whose purpose is to copy their knowledge of experience and not to offer them something economically valuable"; (15)
3. During the interviews I assumed the role of an economist and not an 'Anthro-

pologist'. They relate Anthropology and Sociology with revolution, political conflicts, violence, class struggle, etc.;

4. I could use no system of recording during the interviews, and therefore was forced to memorize the data. They were afraid of being quoted and thus of being politically compromised.

5. For them direct questions meant concrete answers and therefore chosing between contradictory alternatives, specially with questions relating to politics. They consider themselves to be non-politicians and attempt to avoid compromising themselves with either the conservative or the liberal parties. Their responses are thus biased towards the ideals of the particular party that happens to be in power;

6. Their need to be treated as though they are "unique" negated the use of standardised procedures and a formal interviewing technique, such as questionnaires.

7. In order to get an interview at all, I had to assume the appearance of a member from their own rank. This involved wearing special clothes, pretending

to share certain values and opinions and to favour particular trends, especially of a political nature. In other words I had to assume their identity to become acceptable.

NOTES

1) Avila, Bernal, Alvaro. "El Drama de la Vivienda en Colombia". Revista Flash, Bogotá, October 16-31, 1972, Pg. 33.

2) Ibid.

3) Garcia, Antonio. UNA VIA SOCIALISTA PARA COLOMBIA Buenos Aires, Ediciones Cruz del Sur, pg. 19.

4) Dix, Robert H. COLOMBIA: THE POLITICAL DIMENSIONS OF CHANGE, Yale University Press, 1969, pg. 45.

5) Op. cit., pg. 43.

6) Op. cit., pg. 43.

7) Op. cit., pg. 47.

8) Op. cit., pg. 48.

9) Burgos, Hugo. RELACIONES INTERECNICAS EN RIO BAMBA Edimex, S. de R. L., Mexico, April 1970, pg. 37-4. (My translation)

10) Op. cit., pg. 123 (My translation).

11) Art. 40, law 89, 1890.

12) Lenin, V. I. EL IMPERIALISMO, ETAPA SUPERIOR DEL CAPITALISMO. 6Ed., Buenos Aires, Editorial Ateneo, 1973. pg. 67.

13) Op. cit., pg. 105.

14) Op. cit., pg. 113.

15) Personal interview with Sr. Jaime Michelsen, Vice-president of Banco de Colombia, December 10, 1973.

CHAPTER I

CLASS, RULING CLASS AND FINANCIAL OLIGARCHY

Before getting involved in the study of Colombian financial oligarchy we have to determine if the "Financial Oligarchy" is a class, a fraction of a class, an isolated social group, or an institution. Is the "financial oligarchy" part of the capitalist class, or is it the capitalist class itself? Is the "financial oligarchy"a "ruling class", or can only the capitalist class as a whole be considered as the "ruling class"?

In order to clarify the meaning of "financial oligarchy", I outline two basically opposed points of view: Marxism and liberal democracy. The former accepts the existence of the "financial oligarchy" - since it is a concept created by Marxists - and the latter denies its existence. I must necessarily simplify both approaches. I cannot deal with the many slightly different interpretations in each - Marxism and liberal democracy - since my aim is primarily to outline the basic stance of each. It is important to note that all finance men interviewed agreed with the "liberal democracy" approach.

THE CONCEPT OF CLASS

Each social formation could best be understood by studying their mode of production - the way in which men get their living, combining the "productive forces or technology and the relationships they enter into in earning their living, which Marx actually called the "production relations" or "economic structure" (1). Upon this base is built the superstructure of political and legal forms. Ideas, men's consciousness of their lives, were to be understood not as creating but as emerging from these structures - past as well as present and including those that formed nuclei for the future.

The concept of "basis" and "superstructure" should not lead to the notion that society is like a building of which first the economic foundations must be laid, to be followed by the "superstructure", one floor succeeding the next all the way up to the roof. Political and intellectual production does not follow material production in the lineal way but occurs simultaneously and in constant interaction with it. What emerges as the "superstructure" is a totality of prescriptions and prohibitions, laws, institutions, judgments and prejudicies which correspond to the economic structure of society.

Classes are distinguished by the different places they occupy in the system of social production, by their different relationships to the means of production (2), and by the different methods whereby they acquire a share of the social wealth. This is how Marxists have always understood the distinction between classes.

Marxists define capitalism as a system in which the great majority of people own no means of production but work for wages and salaries, and in which the owners of the means of production - the capitalist class - acquire wealth in the form of profits made out of the labour of the majority. In this system the capitalist class is the "ruling class", because it is able to control and direct the resources of social production for its own profit.

Those who collectively constitute the owners have a different class interest from those who collectively must sell their ability for work to these owners. Divided class interests do not arise from one capitalist being benevolent and another intolerant; or one firm being run by managers preferring social peace and another by an old fashioned boss wielding the big stick. On the contrary, organizations such as the National Industrial Association "ANDI", National Agricultural Association and National Coffee Federation, have come into being precisely because they represent a common class interest, whatever differences may arise on how best to pursue that interest. On the other hand, the trade union movement, with all its divisions and contradictions, has come into being as an expression of the common class interest of all those who must sell their labour power.

The fact that the capitalist class is composed of groupings very often competing both on a national and international scale does not abolish their common class interest. They may differ on what mixture of concession or repression they are to pursue in relation to the working class movement; they may differ on the best means of containing Colombian socialism or the National Liberation Movements, but they experience a common need to preserve their class positions. Moreover, the very points on which they differ express their common class nature. There is no capitalist grouping in the world which does not strive continuously to maximise its profits, to find spheres for investment at profitable rates, to exploit underdeveloped territories and to limit the spheres of working class organizations. The pursuit of such aims may well bring about severe conflicts between them, but in conflict they only express their common nature.

Identity of revenues or of economic living conditions is not sufficient to constitute a social group as a class in the full sense of the word. A passive identity such as this, a community of interest dectated by destiny only, may be defined as a "class in itself" (Hegelian terminology); it becomes a "class for itself" only through a series of further determining circumstances, among which

Marx counts the transcending of local limitations such as the individual factory, the indvidual community, the individual country - in other words, associations and universality, the co-ordination and organization made possible thereby, the conscious opposition of the interests of one's own class to that of other classes, resistance, action, and the class struggle.

CAPITALIST CLASS AND RULING CLASS

When Marxists say that "the capitalist class is the Ruling Class", they are refering, in a very general way, to the strongest social forces that produce the greatest antagonism in a capitalist mode of production. In this sense the capitalist as a whole is the "ruling class".

> Our epoch, the epoch of the bourgeoisie, possesses, however, this distinctive feature: it has simplified the class antagonisms. Society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other: Bourgeoisie and Proletariat. (3)

But if we are carrying out a concrete analysis, like in the case of Colombian capitalist class, this statement is an over-simplification of the class structure. We can not overlook the multitude of middle and intermediate classes. We have to take account of the diversity within society and to define more clearly the special characteristics of the most important classes. Every antagonistic society consists of principal and secondary classes. The principal classes are the classes whose inter-relations determine the essence of the mode of production. The secondary classes are those which are related to economic sectors that have survived from a previous mode of production or emerged on to the existing system. There are also various social strata or social groups, which hold some intermediate position between the principal and the secondary classes.

The principal classes in a capitalist society are the bourgeoisie and the proletariat. Capitalist society tends to stratify more and more intensively into the bourgeoisie and the proletariat. This process began with the emergence of capitalism. But this process of polarisation does not lead to the extinction of the middle classes or the complete homogenization of the principal classes. Indeed, Marxism says that capitalism tends to ruin small and medium producers. But while capitalism dooms the vast majority of them, it promotes the emergence of new ones. This process takes place as a result of the operation of the internal law of capitalism; concentration and centralization of capital in the hands of a few, through competition (4).

No class, however, is homogeneous,

the capitalist class no more than the working class. The bourgeoisie as a class could be divided into different factions or groups, such as: the agricultural, commercial, industrial and financial bourgeoisie, depending on their economic activity. They may be small, medium, big or monopolist capitalists, depending on the rate of concentration and centralization of capital. They may be a "national" or "comprador" bourgeoisie: The former is, to some extent, interested in the development of the national economy, the latter grows rich from links with foreign monopoly capital. The capitalist class itself, at a certain time, could be sharing power with the landowners.

If we consider the capitalist class homogeneous we would have to define it as an immutable and monolithic social formation. We would have to deny the process of concentration and centralization of capital. And this would be like saying that all the capitalists share the same power, have the same control over the means of production and have the same economic and social function. This would be rather absurd, at least in the case of Colombian society, as we shall see in the following chapters.

RULING CLASS AND FINANCIAL OLIGARCHY

Colombians have in recent years frequently used the word "oligarquía" (oligarchy) to designate their "Ruling Class". The term was popularized by Jorge Eliecer Gaitan, a leftest political leader, and has since been employed as a term of opprobrium by the political left and even, on occasion, by conservatives, who have sometimes meant by it the rule of liberal capitalists. In the Marxist scheme, the term "oligarchy" is a justifiable one to the extent that the Colombian Ruling Class is substantially a self-perpetuating minority in control of the key power resources of society.

In the Marxist scheme, the development of banking monopolies was the result of high concentration and centralization of banking and cognate capital which resulted from the concentration of production. It caused more and more free money capital to be deposited in the banks, and the enlargement of production led to the growth of the proportion of borrowed funds in the sum total of capital functioning in industry. Big enterprises needed large credits, which also promoted the enlargement of banks and financial institutions.

The formation of industrial and banking monopolies has changed the relationship between banks and industrial enterprises. Banking monopolies no longer confine themselves to providing credit, they penetrate into industry. The banks buy shares in industrial companies, lend them money against securities, and participate in the organization of the new industrial enterprises.

While banking monopolies penetrate into industry industrial nonopolies penetrate into banking. Thus, industrial monopolies buy up the shares in big banks and sometimes, even open their own banks.

This results in close ties between industrial and banking monopolies. Their interests are closely interwoven. This is strengthened by the personal links of monopolist bankers and the monopolist industrialist: Bank directors hold key positions in industrial enterprises, and company directors from industry in banks.

The interweaving and coalescence of bank and industry lead to the formation of finance capital. Lenin described finance capital as follows: ". . . finance capital is the bank capital of a few very big monopolist banks, merged with the capital of the monopolist associations of industrialists . . ."(5).

The formation of finance capital leads to the emergence of a new type of monopoly, to the emergence of a new type of capital, which is "particularly mobile and flexible, particularly interknit at home and internationally, and particularly impersonal and divorced from production proper; it lends itself to concentration with particular ease, and has been concentrated to an unusual degree already" (6).

The "financial ôligarchy", a special kind of monopoly association, reflects the coalescence of bank and industrial capital. It is a method by which a handful of financial magnates can establish and extend their rule over a vast number of industrial, financial and other enterprises, taking in all the aspects of modern capitalist economy. This "financial oligarchy", though remarkably interlocked as we shall see, and though keenly aware that they must preserve the appearance of unity, nevertheless jostle each other and even re-form themselves into new groups.

THE REFUTATION OF THE CONCEPT OF RULING CLASS

In opposition of the Marxist view, the theorists of "liberal democracy" or democratic pluralism" have denied that it is possible to speak in a really meaningful way of a dominant class or "Ruling Class" at all, and that such economic power as could be located in capitalist society was diffuse, fragmented, competitive, and so much subject to a multitude of countervailing checks as to render impossible its hegemonic assertion "vis-avis" the society. They refer to a plurality of competing political and other elites, incapable by the very fact of their competitive plurality, their lack of cohesion and common purpose, of forming strong dominant class of any kind. "Everybody, directly of through organized groups, has some degree of power but nobody has or can have too much of it. The frictions and balance between the different groups that form Colombian society are the supreme safeguard of our''democracy'. No group can stand in the center, for there is no center" (7). In the words of a leading exponent of the "democratic pluralism" view, capitalism is a political system in which "all the active and legitimate groups in the population can make themselves heard at some crucial stage in the process of decision" (8).

It is of course true, that many of those who uphold the view of "democratic pluralism" agree, that there are elites in different economic, social, political, administrative, military, religious, professional and other pyramids of power, but then maintain that they lack the degree of cohesion required to turn them into a dominant or "ruling class". In fact, "democratic pluralism", with the competition it entails between different groups, is itself a prime quarantee that power in society will be diffused and not concentrated. This view precludes a critical attitude to this or that aspect of the improvement and strengthening of a system whose basically "democratic" and desirable character is held to be solidly established. While there may be a good deal that is wrong with them, there are already "democratic" societies, to which the notion of "ruling class" is absurdly irrelevant.

To conjure up different domains; the economic, the political, the military, the administrative, the professional, etc., and to put them more or less on an equal footing, interacting according to the needs of a particular society, is to build a structure in the air, not on the solid ground of the nature of that society. Such theory starts with institutions, not classes. It looks for "power groups", not for the class interests that such groups come into being to serve.

In relation to monopoly domination, some of these "democratic pluralists" maintain that monopoly mitigates and even ends the antagonism within society. From these premises, they draw the conclusion that "monopoly" should not be fought, but supported. Some of the bourgeois theories counterpose monopoly to competition, and some of them take this further and maintain that monopolies are ending competition, while others insist that competition remains, so it would be wrong to speak of monopoly domination. They say that there are only two alternatives: "pure monopoly" - the total monopolisation of a branch by a single firm, "or pure competition". Since the total monopolisation by a single firm of a whole branch is extremely rare, they assert that there is no monopoly rule and that modern capitalism continues to be a "free enterprise system".

With regard to financial capital, some of the bourgeois ideologists give prominence to the theory of the self-liquidation of financial capital by the severing of the links between the banks and the industrial companies. Many modern ideologists of monopoly maintain that the "financial oligarchy" has disappeared. It is alleged to have "dissolved" under the influence of the"democratisation of capital" and the "managerial revolution". These proponents say that managers are replacing and abolishing the financial oligarchy and promoting the emergence of a new type of capitalism, "people's capitalism, humanitarian capitalism".

The concept of "neo-capitalism" or "people's capitalism" includes a number of postulates - on the revolution in ownership, production management, income and the role of the State - with the conclusion that modern capitalism differs radically from the capitalism of the 19th and early 20th centuries.

The concept of "democratisation of capital" is one of the main pillars of the theory of "neo-capitalism". It says that the spread of joint-stock companies and that the wide distribution of shares among the population mean collectivisation of property, that every shareholder, however small, becomes a profit-making co-owner of capital. It interprets ownership as a formal right to income. Therefore, they depict the distribution of shares among the population as "diffusion of ownership".

NOTES

1. The productive forces and the relation of production form an indissoluble whole. This unity of the productive forces and the relations of production is the "Mode of Production". Together, the material and personal factors of the production process form the "Productive Force of Society". The material factors are "the means of production" and the personal ones are the working people who operate the "means of production". The productive forces are only one aspect of the production process. The "relations of production" are the other aspect. In the process of production people act on nature, and at the same time enter into definite relations with one another. "They produce only by co-operating in a certain way and mutually exchanging their activities", Marx wrote. "In order to produce, they enter into definite connections and relations with one another and only within these social connections and relations does their action on nature, does production, take place". (K. Marx and F. Engels, Selected Works, 1970, Harcourt and Brace New York, Vol. 1, pg. 159). The social connections and relations which people establish in the course of production are called "the relations of production".

2. The things which are subjected to man's labour are called the "objects of labor". They may be found in nature, like, for instance, the ores extracted from

the bowels of the earth, or they may already have been worked upon, in which case they are called raw materials. As science and technology develop, the range of these objects of labour expands and new uses for them are discovered. The means of labour are things people use upon the objects of labour, to change them to satisfy their needs. They include the tools, land, roads, production buildings, all these things that are needed for that labour process. Among all the means of labour, the tools, or instruments of labour, specially the machine, etc., are by far the most important. As Marx said, they are the bone and muscle of production. The objects of labour and the means of labour taken together constitute the "Means of Production", the material factor of the production process.

3. MANIFESTO OF THE COMMUNIST PARTY, Progress Publishers, Moscow, 1952, pg. 40.

4. "Every individual capital is a large or smaller concentration of the means of production, giving command over a large or smaller army of workers. Every accumulation becomes the means of new accumulation. As the mass of wealth which functions as capital increases, there goes on an increasing concentration of that wealth in the hands of individual capitalists, with a resultant widening of the basis of large-scale production and of the specific methods of capitalist

production. The growth of social capital is affected by the growth of many individual capitalists . . . two points characterise this kind of concentration which is directly dependent upon accumulation, or, rather identical, with it. First of all, the increasing concentration of the social means of production into the hands of individual capitals, is, other conditions being equal, restricted by the extent of social wealth. In the second place, the part of social capital domiciled in each particular sphere of production is divided among many capitalists, who face one another as independent commodity producers competing one with another . . . This splitting up of social capital into a number of individual capitals, or the repulsion of its fragments one by another, (Marx here has in mind the division of property), is counteracted by their attraction. The latter is not simply a concentration of the means of production and command over labor identical with accumulation of already formed capitals, the destruction of their individual independence, the expropriation of capitalist by capitalist, the transmation of many small capitals into a few large ones. This process is distinguished from simple accumulation by this, that it involves nothing more than a change in the distribution of capitals that already exist and already are at work . . . capital aggregates into great masses in one hand because, else where, it is taken out of my hands. Here we have genuine centralization in contradistinction to accumulation and concentration". (Capital, Vol. I. Pg. 691).

5. V. I. Lenin, COLLECTED WORKS, vol. 22, pg. 266.

6. Ibid., pg. 105

7. Personal interview with Sr. Alfredo Holgin, vice-president of Banco de Colombia, Bogotá, December 1970.

8. R. A. Dahl, A PREFACE TO DEMOCRATIC THEORY, Vintage Press, 1965, pp. 137-8.

CHAPTER II

THE CREDIT SYSTEM AND THE FINANCIAL INSTITUTIONS

THE CREDIT SYSTEM

The financial and credit system of a country rests on the process of production and the exchange that goes with it, through which takes place the reproduction of capital. In this process the financial and credit system plays an active and not a passive role. It is not simply a piece of machinery for ensuring effective supply and circulation of money and credit, any more than the system of production is simply a mechanism for producing goods for the needs of the people. Both are part of a single system of capitalist production, distribution and exchange.

Under capitalism, the financial and credit system is privately owned. And because the entire system of production must make use of it, this bestows great power and influence on the main financial institutions. It is their integration with decisive branches of industry and trade which constitutes finance capital.

In order to understand the role of the financial institutions, the financial groups and the finance capital in the Colombian economic structure we have to analyze the function of credit in the process of production and in the process of reproduction of capital.

LOAN CAPITAL; NATURE, SOURCES AND INTEREST

Loan capital is a separate and transmuted part and form of industrial capital. It is money capital loaned by its owner for a fixed period of time and is paid for a definite consideration known as interest. Loan capital is not money that is lent to another person, but an economic relation between the creditor and the debtor.

The main sources of loan capital are: money capital temporarily free in the various industries (depreciation, temporarily free working capital), part of the surplus value of enterprises in cash; the population's saving and incomes concentrated in banks; free funds in the State budget, pension and insurance funds, etc. Functioning capitalists (1) are the main consumer of laan capital.

In the hands of its owner the money earmarked for lending becomes a specific commodity (2) - capital - which is sold for a definite period to the functioning capitalist. This commodity is useful to the capitalist because of his ability to bring in a profit in excess of the payment he makes for the use of that capital. The payment for the use of that capital is called "interest" and is part of the average profit derived from the functioning capitalist on that capital. The other part of the profit is kept by the functioning capitalist and is called a "profit of enterprise". In the course of movement of loan capital, the interest is presented as the result of the self-expansion of money. The profit of enterprise, is then disguised as a "payment for supervision" and the bourgeois economists identify it with wage. But both the interest and the profit of enterprise are in fact variants of surplus value. The interest is measured by the interest rate. This is an expression as a percentage of the relation between the sum of the annual income obtained on loan capital and the size of the capital obtained as a loan.

The interest rate fluctuates within the limits of the average profit according to the supply and demand for laan capital. If the demand for loan capital exceeds the supply, the interest rate rises. If there is a lot of liquid money on the market and the demand is small, the interest rate drops.

FORMS OF CAPITALIST CREDIT

The movement of loan capital takes the form of credit. Credit leads to the separation and counterpositioning of "captial as property", which has no direct relation to production, and capital as a function, that is, the capital which directly exploits labour.

In general, in Colombia like in any

capitalist society there are the following basic forms of credit: bank credit, made available by the owners of free money capital and banks to functioning capitalists; commercial credit, given by functioning capitalists to one another to accelerate the sale of commodities; consumer credit, granted by merchants to the population to facilitate the sale of consumer goods; state credit, which is a system of credit relations between the State and the owners of money capital, in which the State is the borrower; and international credit, which is an extension of credit relations beyond the borders of individuals countries.

Credit has a major influence on the development of capitalist production: it helps to level the rates of profit, reduces costs, considerably accelerates the concentration and centralisation of capital, temporarily expands the market, accelerates the growth in the rate of exploitation; intensifies the bondage and exploitation of the less developed countries of the world capitalist economy.

ROLE OF CREDIT IN THE FORMATION OF THE AVERAGE RATE OF PROFIT

The movement of loan capital helps to level the rates of profit by accelerating and facilitating the transfer of capital to the profitable branches of the economy. However, while removing some disproportion and

and levelling out the rate of profit, it promotes the emergence of new disproportions, intensifies the chaotic development of the various economic branches.

This important role of loan capital is fulfilled chiefly by "banker's credit". Banker's credit can be given without intermediaries (for example, by the purchase of securities by the owners of laan capital) and direct from banks, savings banks and insurance companies.

A bank is a capitalist concern which makes the normal rate of profit by carrying out intermediary functions in payment on credit operations, organises and promotes the movement of laan capital. The bank transactions, aimed at attracting the deposits of capitalists, companies and the population into its safes are called "passive" transactions. The bank uses these deposits to grant credit and to invest capital (investment banks). These operations of the banks are called active transactions. The bank receives dividends or interest at a higher rate than the interest it pays to its depositors. Thus, banks greatly accelerate the transformation of free money capital which yields interest, and of loan capital into functioning capital.

The difference between the income from an active transaction and the payment of interest on passive transactions is the banker's income. Bankers speak of the "modest appetite" of banks, which earn very little -- only 2 to 2.50 per cent per peso on deposits. But since the advanced capital of a bank is generally only one-eighth to one-twelfth of it deposits, this means that the profits are nearer 24-30 per cent. Part of the bank income is spent on running costs (wages, depreciation, advertising, etc.). On the whole these are the net distribution costs. The remainder is the banker's profit. As a result of competition the bank's advanced capital also brings in the average rate of profit.

CREDIT AND SAVINGS OF DISTRIBUTION COSTS

The other function of credit is to manage distribution costs. The savings of distribution costs is achieved in three ways: 1) through the mutual clearing of debts and payment commitments; 2) through the replacement of metal money by credit money, and 3) through the acceleration of the velocity of money circulation.

The main role in this is played by the second form of credit - "commercial credit" -. When functioning capitalists sell commodities to each other they do not pay in cash, but issue promissory notes or bills of exchange. Since many functioning capitalists issue bills of exchange, the banks are able to make settlements by cancelling them out against each other. This cashless settlement of accounts is called clearing. Usually big banks act as clearing centers. In Colombia the "Banco de la Republica" functions as the sole bank of issue and clearing houses for all banks. Every enterprise has a current account in the bank. On the written order of the enterprise (a cheque) the bank pays the drawer of the cheque the specified amount from the enterprise's current account. In this way the bank acts as cashier for many enterprises and companies. Often money is transferred direct from one account to another. To settle accounts between enterprises which have accounts in different banks and to organise the clearing of bills of exchange the commercial banks buy up short-term bills of exchange issued by different companies at a discount and clear them in the "Banco de la Republica" (Central Bank) without the use of ready cash.

Commercial credit creates a powerful system of financial interdependence between different enterprises. The ruin of one enterprise could affect the financial position of many others and may lead the others to collapse. As a result the circulation of bills of exchange is interrupted and this can, under certain conditions, spark off a chain reaction of bankrupticies, leading to the closure of many enterprises, and the infliction of enormous losses on society.

CREDIT AND THE CONCENTRATION AND CENTRALISATION OF CAPITAL

The movement of loan capital intensifies the concentration and centralisation of capital. Banks fuse small sums of money into big functioning capital. The most important form of the centralisation ofcapital is the joint-stock company. It unites a multitude of free sums of capital into big economic organisms. This makes it possible to put up major projects and to use sophisticated and expensive machinery. In this way the centralisation of capital promotes the enlargement and improvement of production, and accelerates the accumulation of capital.

Credit is also a powerful weapon in competition. It strengthens the positions of the large enterprises, leading to the ruin of small companies, peasants and artisans. In Colombia, 90% of the Bank's credit is given to 10% of the depositors (4). Big capitalists are able to obtain credits at 10-12 per cent a year, while small capitalists oftenohave to pay up to 24-30 per cent, have to hand over practically all their profits. Usurer's credit at interest rate of 30-40 per cent a year is not uncommon in Colombia.

A specific role is played by mortgage banks. They issue long-term loans on the security of real estate (land, buildings, houses). If the interest or part of the debt is not paid on time the security becomes the property of the bank.

ROLE OF CREDIT IN EXPANDING THE MARKET

Consumer credit and State credit play a very important role in the process of expanding the market. Consumer credit is said to be granted when capitalists sell consumer goods on the instalment plan. This means that the buyers have to pay over the years not only the price of the commodities, but also a high interest. Interest rates can be as high as 16-36 per cent a year and this means that in most cases consumer credit is really usurer's credit. Since commodities are sold on account of future incomes, this creates a mass demand and becomes the basis for mass production, which cuts the prices of consumer goods and so lowers the value of labour power. As a result the capitalists are able to expand the market temporarily, but in subsequent years, when people have to repay the debts with interest, the consumer demand drops by the amount of the repayments. This method of artificial expansion of the market is growing more and more important in the developed capitalist countries.

Capitalist State credit is the issue and sale by the state of bonds which increase the national debt. Banks, financial institutions, individual capitalists and joint-stock companies in general buy state bonds and, as a result, state purchases increase during the year in question. In later years a growing part of the state revenue is paid out as interest to banks. To cover the additional expenditure the state raises extra taxes. This means that the working people have less money to spend on purchases so that the domestic market contracts. Colombia owes more to banks and financial monopolies in general than it produces in a year.

Measures to expand the market artificially by fiscal means evolve inflationary tendencies. First, banks accept state bonds and even part of the articles bought on credit and mortgages as securities for the issue of further credits. This creates an additional demand from the state and the population, and even from the creditors. Second, this expansion of credit becomes self-sustaining, when one debt leads to another.

When times are hard this process is reversed, the withdrawal of one deposit leads to the reduction of a second, third, etc. The rapid curtailment of credit seriously affects the financial position of enterprises and banks, and unleashes a tide of bankrupcies.

INTERNATIONAL CREDIT

Capitalist credit is becoming one of the pillars of the world capitalist economy, an important means used by the financial capitalist to enslave and exploit peoples of other countries. Credit is used as a weapon in the struggle for foreign markets and raw material sources.

There are two distinct economic forms of capital exports. When a capital exporter acquires productive, commercial, industrial, transport or other enterprises in another country and is a functioning capitalist, capital is said to be exported as productive capital. When he lends capital to enterpreneurs or governments of other countries without acquiring any property there and only reserves the right to recall the loan with interest, the capital is called loan capital. The export of productive capital brings in a profit, and loan capital interest.

The type of loans that Colombia and Latin America obtain have never been an unconditional transfer of financial resources. Usually the conditions attached to loans are clearly and directly intended to serve the interests of the governments providing it. For example, President Kennedy revealed that over 80 per cent of the foreign loan program was spent on U. S. products (5). In other words loans represent a subsidy for U. S. exporters. Foreign loans must generally be used to buy goods and services from its provider. Commodities bought with United States loans must be carried in United States ships. Loans from the United States are not, under the Hickenlooper Amendment, available to countries which nationalize US-owned assets and fail to "take appropriate steps" to rectify the situation within six months. Loans from the World Bank are not, under an internal Policy Memorandum which has not been published, available to countries which nationalize foreign-owned assets without compensation, which fail to repay their debts or in which there are claims on behalf of foreign investors which the Bank considers should be settled. Foreign loans are, in general, available to countries whose internal political arrangements, foreign policy alignments, treatment of foreign private investment, debt-servicing record, export policies, and so on, are considered desirable, potentially desirable, or at least acceptable, by the countries or institutions providing loans, and which do not appear to threaten their interests (6).

A quotation from a New York Times report of February 6, 1969, will show what this kind of loan implies: ". . .for the purposes of balance of payments, the United States is really getting two dollars back for every one lent - one immediately with the purchase of American goods and another when the loan is repaid".

Who, one must ask, is "aiding" whom? "We should take pride," says former Under Secretary of State George W. Ball, "in the American businessmen who, with vigor and spirit of adventure, are investing their capital in foreign lands." (7)

This - and Mr. Ball must know it - is sheer nonsense. "Adventure" implies risk, but thanks to foreign loans the risk that the U. S. business-man is taking in investing abroad is reduced to a minimum. In negotiating the foreign loans program the United States bears in mind the necessity of opening up private investment possibilities and normally credit is given only on condition that such private investment is protected. Credit makes it almost certain that U. S. businessmen "won't lose".

All underdeveloped countries receiving credit from imperialist countries are chronically in debt because with loans received, their indebtedness continually increases. It is a giant millstone around their necks preventing economic advance. "In 1956, the estimated medium - and long-term foreign public indebtedness of the underdeveloped countries was estimated to be $9.7 billion. By 1967, it was $41.5 billion." (8)

This fourfold increase in public indebtedness of the poorer countries also means, of course, an increase in the interest payments and other charges that are required to service the debt. "In 1956, the cost to the poorer countries of servicing this indebtedness was $800 million; by 1967 this had risen to $3.9 billion. In 1966, 44 percent of all loans flowing from the advanced to the underdeveloped countries was utilized merely to finance past and present debts." (9) "During the years 1962 to 1966, the average annual service payments on external public debt of all Latin American countries was $1,596 million. During the same years the average annual assistance from the United States in the form of loans and grants amounted to $1,213 million." (10) Thus American "foreign credit" did not even cover the interest payments on past loans.

Why are the underdeveloped countries unable to meet interest payments? Why are they not able to gradually pay off their past indebtedness and free themselves from this oppressive burden? The answer is simple - because they cannot.

Foreign loans must be paid off in the currency of the country that has granted the "assistance". The only way of accumulating such currency is to attain a surplus of exports over imports. Since World War II the income received by the underdeveloped areas for their exports is largely controlled by the very countries that have granted them the loans and which, of course, find it in their interests to keep these prices as low as possible.

This is not the only reason why the underdeveloped countries can never shed their burden of debt. Aside from the enormous interest payments to the United States government there are the still greater amounts payable abroad to U. S. corporations, to cover the huge profits that they have made on their investments. These profits must also be paid in the currency of the investing country, U. S. corporations do not want pesos or cruzeros, they want dollars.

So what do we find? The burden on the underdeveloped countries represented by the cost of "credit aids", plus the exports necessary to pay for the profits of the foreign capitalist enterprises, represents an economic stranglehold which prevents the underdeveloped countries from advancing. For example, for every dollar of foreign exchange earned by Mexico by the sale of products abroad, sixty cents has to be earmarked for the servicing of her foreign debt and for interest payments and profit of foreign investors (mostly, of course, to the U. S.). This leaves Mexico with only forty cents for her own essential imports - a situation true, to a greater or lesser extent, in all underdeveloped countries. Unable to accumulate sufficient capital for their own industrial and economic development, the underdeveloped countries, though providing enormous wealth for the investing countries, are kept in a permanent state of stagnation, mass poverty and subjection.

With insufficient foreign currency to pay the interest charges, they are compelled by their Washington "benefactor" to continue borrowing, and go still deeper into debt. (The only organizations that are prepared to extend loans to underdeveloped countries such as the World Bank, International Finance Corporation (IFC), International Monetary Fund (IMF), are controlled by the U.S.A.). Increasing their total indebtedness merely tightens the economic stranglehold by the richer country. They prefer to keep their victims permanently in debt rather than have the loan repaid, so the chronic indebtedness of the underdeveloped countries unquestionably suits the imperialist countries. Through debt, their control of the poorer coutries can be maintained.

TYPES OF FINANCIAL INSTITUTIONS

Financial institutions in Colombia include the "Banco de la Republica" (Central Bank), twenty-four commercial banks, seventeen Development Finance Corporations (Corporaciones Financieras), nine Investment Trusts (Fondos de Inversion), thirty-five Insurance Companies (Companias de Seguros), ten Warehouses (Almacenes de Deposito), several credit institutions and various Fiduciary Funds operating in association with the Central Bank and other public entities.

Also several Savings and Loan Corporations are active in financing housing and construction.

Banking operations and monetary policy are regulated at the government level by the "junta monetaria" (Monetary Board). In 1963 the Monetary Board was given authority to set reserve requirements, discounts and interest rates, as well as to regulate foreign exchange policy. The five-member Board of Directors consists of government appointees. "Banco de la Republica" acts as the executive arm of the Monetary Board. It functions as the sole bank of issue; clearing-house for all banks; and as the government's treasury. The private financial and industrial structures are represented in the bank's ten-member Board of Directors. The Central Bank is patterned after the United States Federal Reserve System.

Enforcement of banking laws is entrusted to the "Superintendencia Bancaria" (Banking Superintendent) which oversees the nation's banking operations and reports directly to the President of the Republic.

COMMERCIAL BANKS

Essentially, the commercial banks borrow for short periods and lend for shorter periods. The difference between the rate they pay for borrowing and the rate they charge for lending constitutes their profit. But this is not the whole story. The commercial banks do not simply lend out the amount they borrow. They "create" deposits by making advances to businessmen and others, being guided by the established convention that they can lend up to nine times the cash they have available.

What is the nature of bank control? There is first the control arising from handling the financial settlements of all firms and many individuals. The banks are in a position to judge the financial position of the different firms and to use that knowledge in advancing to their clients. And in so far as they are directly linked with certain firms, knowledge of the position of rivals is clearly of some importance.

Secondly, there is the dontrol arising from their power to grant or withhold credit. In spite of self-financing, bank credit is important especially for rapidly growing and expanding firms. Banks can thus influence policy.

Thirdly, there is the power to discriminate in the rate of interest charged to borrowers. There is considerable evidence that large clients are able to borrow more cheaply than smaller ones.

It is impossible to estimate the real

total profits made by the commercial banks. They are allowed by the government to put a considerable amount of their profits into their reserves, which they are not required to disclose.

Current demand deposits provide the bulk of operating resources for commercial banks, though recently term-deposits, certified deposits and savings accounts have become a significant factor, due to higher interest rate levels. Seventy-five per cent of the commercial bank's portfolio corresponds to short-term credits, with the balance divided between medium and long-term loans. Theoretically commercial banks are mainly suppliers of short-term credit, but it is increasingly recognised that continuous renewal of loans can effectively constitute a long-term loan.

Commercial banks also undertake a variety of other activities, including: Investment in government and private securities, required by law. Channeling of loans into priority economic sectors and assistance in government financing. Maintenance of warehouse and storage facilities for agricultural and industrial products, to secure working capital for producers. And participation in development credit by holding stock in private development finance corporations and in newly created saving and loan corporations.

PRIVATELY — OWNED COMMERCIAL BANKS

Of the twenty-four commercial banks currently in operation fourteen are privately owned, four are government afiliated and the remaining six are foreign banks. Colombian banks account for ninety per cent of the combined assets and equity of the nation's commercial banks. (11)

COMMERCIAL BANKS - 1974 *

	Assets $US Millions	Per cent	Equity Capital $US Millions	Reserves Per Cent
Private Banks (14)	...1,919.9...	..63.7....	...117.5........	.54.9
Official Banks (4)	.....814.0...	..27.0....	....78.7........	.36.8
Foreign Banks (6)	.....280.9...	...9.3....	....17.7........	..8.3
TOTAL........	...3,014.8...	.100.0....	...213.9.......	100.0

*Rate of Exchange US $ = Col. $28.60

Source: Superintendencia Bancaria (Banking Superintendency)

Private commercial banks operate nationwide, with no restrictions on the number of branches established in cities or municipalities. Ranking these banks by size of assets, the five largest account for 87 per cent of total private commercial bank assets. Their stock is trade on the Bogota and Medellin Stock Markets, with new stock issues amounting to $11.2 million in 1974.

Colombia has the following Private Commercial Banks:

1. Banco de America Latina
2. Banco de Caldas
3. Banco de Bogotá
4. Banco de Construcción y Desarrollo
5. Banco de Colombia
6. Banco de la Costa
7. Banco del Comercio
8. Banco de Occidente
9. Banco del Estado
10. Banco Industrial Colombiano
11. Banco Nacional
12. Banco Santander
13. Banco Panamericano
14. Banco Comercial Antioqueño

The two largest commercial banks - Banco de Colmbia and Banco de Bogotá - were founded in 1874 and 1870 respectively. Headquarters are located in the capital, Bogotá. Banco de Colombia has 226 branch offices and employs 4,300 persons; Banco de Bogotá has 217 offices with a staff of 4,630 persons, and recently has established a branch in New York. Banco del Comercio (1949), third largest in Colombia, is also located in Bogotá. Banco Comercial Antioqueño (1912), and Banco Industrial Colombiano (1944), fourth and fifth largest, have main offices located in Medellin.

FIVE LARGEST PRIVATE COMMERCIAL BANKS - 1974 (U.S. Millions)*	Assets	Deposits	loans	Net income	Equity
Banco de Colombia	552.8	233.3	163.1	10.8	34.2
Banco de Bogotá	495.1	228.6	166.5	8.5	37.1
Banco del Comercio	335.9	136.5	112.2	4.6	20.6
Banco Comercial Antioqueño	178.4	93.1	72.3	4.3	17.5
Banco Industrial Colombiano	108.9	54.3	38.7	2.0	12.8

*Rate of exchange: Col. $28.60 = $US

Source: Annual reports of Banks

FOREIGN COMMERCIAL BANKS

Foreign banks operate directly in Colombia through branch offices and indirectly through minority shareholding in private local banks. International banks currently active in Colombia are: First National City Bank of New York, Banque Nationale de Paris, French-Italian Bank for South America, Bank of London and South America, Royal Bank of Canada, and Bank of America. In addition, Chase Manhattan Bank owns equity in "Banco del Comercio" and First National City Bank of New York is a stockholder in the "Banco de Caldas".

Between 1966 and 1974, private foreign investment in commercial banks and Finance Corporation increased by 93 per cent. This was the highest percentage increase recorded in any sector.

GOVERNMENT-OWNED COMMERCIAL BANKS

Over the past three decades four government-owned commercial banks have emerged as a major factor in specialized lending activity. Today they account for 37 per cent of the credits granted by commercial banks, and 27 per cent of commercial bank assets.

Banco Cafetero (Coffee Bank) ranks by assets as the fourth largest commercial bank in Colombia, working mostly in the coffee growing and and exporting sector. Equity capital of this is held by the "Fondo Nacional del Cafe" (National Coffee Fund), with resources derived from export taxes on coffee and administered by the "Federacion Nacional de Cafeteros" (National Federation of Coffee Growers).

The bank was founded in 1953 to assist coffee growers with their financing needs, but has since greatly expanded its services to contribute to economic diversification. It now grants credit in coffee areas as well as manufacturing construction and various agricultural activities, Offices are maintained in major cities and rural locations, particularly in coffee growing regions.

Another major government owned bank is "Caja Agraria" (Agricultural Credit Bank), channeling credit primarily into the agricultural sector, which accounts for more than 25 per cent of Colombia's GNP (Gross National Product). Lines of credit have been received from the World Bank, Inter-american Development Bank and other international agencies.

Similarly active in livestock development is the "Banco Ganadero" (Cattle Bank), operating since 1956. It is backed 20 per cent by government funds and 80 per cent by private concerns engaged in the livestock industry. Cattle ranchers are required by law to buy stock in the bank.

Ranking next to the Coffee Bank in terms of assets is the "Banco Popular", founded in 1959 to aid the expansion of small and medium size industry. It is a shareholder in several development corporations, in a savings and loan corporation that offers financing for housing and construction, and in the international Trade Fair of Bogotá.

Below, I include a few tables which show the great increase and concentration of the banking system in Colombia.

SOME 'ASSETS AND LIABILITIES' ACCOUNTS OF THE COLOMBIAN BANKS

(EXCLUDING THE BANCO DE LA REPUBLICA) 1925-1929

(Million pesos)

ar (...une)	Reserves	Loans, Discounts and invest-ments	Short-term obligations in national and foreign currency	Long-term obligations	Rediscounts in the "Banco de la Repu-blica"	Paid-up capital and legal reserve	total assets and lia-bilitie
25	13.6	66.7	41.4	12.2	7.5	22.6	92.7
26	16.9	104.5	64.4	24.5	12.8	26.7	135.0
27	21.4	154.1	77.7	50.3	17.2	39.6	189.6
28	21.3	202.9	112.3	65.3	11.3	49.5	243.7
29	20.6	207.8	95.8	77.7	18.0	51.1	250.2

Source: Roberto Triffin, "La Moneda y las Instituciones Bancarias en Colombia, Banco de la Republica, 1944, pg. 3.

SOME 'ASSETS AND LIABILITIES' ACCOUNTS OF THE COLOMBIAN BANKS

(EXCLUDING THE BANCO DE LA REPUBLICA) 1934-1941

(Million pesos)

ar	Reserves	Loans, Discounts and invest-ments	Short-term obligations in national and foreign currency	Long-term obligations	Rediscounts in the "Banco de la Repu-blica	Paid-up capital and legal reserve	total assets and lia-bilitie
34	24.8	129.5	78.6	43.5	8.5	54.6	198.0
35	24.5	136.1	81.0	50.8	4.4	53.9	216.1
36	26.4	167.7	96.0	50.3	8.5	53.0	245.9
37	26.7	182.1	98.6	53.1	18.4	54.5	259.3
38	26.2	206.0	107.1	61.5	18.6	56.9	278.2
39	31.1	226.9	127.2	63.2	22.6	60.0	301.5
40	33.9	243.1	142.1	78.3	5.2	65.8	315.9
41	31.5	286.1	158.6	77.9	16.0	70.4	350.2

Source: Roberto Triffin, "La Moneda y las Instituciones Bancarias en Colombia", Banco de la Republica, 1944, pp. 41, 44, 45.

BANK'S INFORMATION (EXCLUDING THE BANCO DE LA REPUBLICA)

(Assets in million pesos)

ar	Deposits in the "Banco de la Republica"	Cash	Checks in cash	Loans and discounts	Debtors	Investments	Other assets	Total assets
46	69.9	14.1	1.0	370.2	50.9	39.3	39.2	384.6
47	77.2	16.7	1.0	451.7	41.4	36.8	47.9	612.7
48	80.6	19.4	1.0	520.3	48.7	44.7	63.6	778.3
49	78.8	18.6	1.0	577.5	47.7	73.5	78.7	875.8
50	75.5	21.3	2.2	743.9	78.4	77.7	102.1	1101.1

Source: Colombian monetary information, "Banco de la Republica", June 1957, pp. 37-38.

COLOMBIAN BANKS (EXCLUDING THE "BANCO DE LA REPUBLICA")

(Million pesos)

ar	Total reserves	Total credits	Deposits	Total assests and liabilities
51	132	878	606	1325
52	185	1056	707	1593
53	197	1468	856	2346
54	314	1854	1093	3134
55	277	2285	1159	3726
56	327	2772	1483	4663
57	291	2957	1578	5528
58	459	3258	1958	6022
59	445	3760	2230	6685
60	457	4444	2497	7718
61	482	5370	3267	9556
62	1061	6109	4054	12012
63	591	7670	4386	12132

Source: Magazine of the "Banco de la Republica", February 1955, 1957, and 1964.

NUMBER OF BANKS AND THEIR BRANCHES

(EXCLUDING THE "BANCO DE LA REPUBLICA")

Year	Banks	Branches
1946	26	420
1947	26	445
1948	25	466
1949	24	485
1950	24	517

Source: Superintendencia Bancaria

INSURANCE COMPANIES

Standing next to the commercial banks are the insurance companies, whose investments in industry, trade and property are generally of a long-term character. In this sense the insurance companies play a very important role in the sphere of shareholdings.

Their "general" business includes a variety of life insurance business (technically referred to as "assurance") and general insurance, including fire, accident, and marine insurance.

In so far as capitalism creates the need for insurance on a vast scale, both personal and institutional, the insurance companies are a powerful and pervading form of centralising money resources. The companies receive premium payments, largely as annual payments fixed for long periods of years. They invest the sums received, and hold the resulting assets against their liabilities to pay under the terms of contracts called "policies". Their control by a handful of concerns means that insurance companies help to determine national investment policy by the sheer proportion for which they are responsible. The placing of new issues would be almost impossible without the cooperation of the insurance companies; they can back take-over bids and property deals on a large scale.

Their interest in control is evidently determined by their need for it. Unless they have a particular production or investment policy in mind they will be happy to see the firm conducted under its "normal management". If a crisis or sharp differences in policy should arise, then naturally they will intervene in the interests of their investment. But when one considers the boards of the insurance companies and their widespread financial and industrial connections, it is plain that they are interested in the financial and investment policies of the companies they invest in - even though their special attention will be on the largest and most powerful.

The most important Colombian insurance companies are:

1. American International Underwriters de Colombia Ltd.
2. Aseguradora del Valle

3. Aseguradora Grancolombiana
4. Assicurazioni Generali
5. Aura S. A.
6. Seguros Caribe S. A.
7. Central de Seguros
8. Colseguros
9. Colpatria
10. Compañia agricola de Seguros S. A.
11. Seguros Atlas
12. Compañia de Seguros La Anoina
13. Grupo Fenix
14. Granadina de Seguros
15. Seguros Colombia
16. La Continental
17. La Interamericana
18. La Libertad
19. La Nacional de Seguros
20. Seguros La Union
21. La Previsora S. A.
22. Seguros Alfa
23. Seguros Colombia S. A.
24. Seguros del Estado
25. Seguros Universal
26. Seguros Tequendama S. A.
27. Seguros La Equidad
28. Suramericana de Seguros
29. Compañia de Seguros la Escandia

Below, I include two tables which show the great increase of the insurance business in Colombia.

TECHNICAL RESERVES, 1930-1963

(thousand pesos)

Year	Life	General	Total
1930	9312	770	10082
1940	9493	1536	11029
1950	63203	16960	80163
1960	233540	103360	336909
1961	263949	118560	382509
1963	343918	143983	487901

Source: Superintendencia Bancaria.

INSURANCE BUSINESS (LIFE AND GENERAL) 1927-1963

(million pesos)

ear	Risks assumed	Premiums collect			Claims Paid		
		others	life	total	others	life	total
927	365	2.0	2.0	4.0	0.5	0.8	1.3
928	446	2.2	2.1	4.3	0.4	0.8	1.2
929	338	2.3	2.0	4.3	0.7	1.0	1.7
930	297	2.3	1.4	3.7	0.7	0.9	1.6
940	691	3.2	3.7	6.9	1.7	1.0	2.7
950	6637	22.2	43.4	65.6	5.5	13.0	18.5
959	28779	81.5	183.3	264.8	30.8	64.4	95.2
960	36588	98.4	216.5	314.9	32.2	76.1	108.3
963	81090	169.8	381.0	550.8	58.9	122.5	181.4

Source: Superintendencia Bancaria

It has been established that 20 per cent of the capital and reserves of insurance companies are held by foreign investors. Participation is direct, through branches of foreign companies, or through minority shareholding in Colombian concerns.

Among the foreign insurance companies represented in Colombia are: Pan-American Life Insurance, The Home Insurance Co., Sun Insurance Office Ltda., The British American Assurance Co., America International Underwriters, La Baloise, Skandia, Assicurazioni Generali, Fireman Insurance Co., Royal Insurance Co., Ltda., The Prudential Assurance Co. Ltda., Vigilant Insurance Co., Phoenix Insurance Co., and Albingia.

COLOMBIAN INSURANCE COMPANIES 1926-1963

	Number of Insurance Companies		
Year	National	Foreign	Total
1926	3	19	22
1927	4	23	27
1928	6	23	29
1930	5	21	26
1940	4	29	33
1950	9	22	31
1959	39	23	62
1960	45	23	68
1961	50	23	73
1963	49	23	72

Source: Superintendencia Bancaria

WAREHOUSES

Another important grouping of finance institutions is the "Almacenes Generales de Deposito" (Warehouses), who are really branches of the commercial banks. Their main activities are: The maintainance of storage facilities for agricultural and industrial products. And in order to secure working capital for producers they receive products on comission for which they give "deposit certificates" which are discounted by commercial banks and financial corporations.

The most important warehouses are:

Warehouses	Controller shareholders
Almabanco	Banco Ganadero
Almacafe	Banco Cafetero
Aloccidente	Banco de Occidente
Almavic	Banco Industrial Colombiano
Almacenar	Banco de Colombia and Banco del Comercio
Almaviva	Banco de Bogotá
Almagran	Banco Comercial Antioqueño
Inagrario	Caja Agraria
Alpopular	Banco Popular

INVESTMENT TRUSTS

Investment trusts are companies whose main object is to invest their capital in a wide range of other companies. An investment trust issues share and uses its capital to buy shares in other companies. Unlike other financial institutions, they are not primarily concerned with borrowing and lending. They do, it is true, borrow some of their funds, by the issue of debentures (order of payment by the government), and they do lend in so far as they hold government bonds and industrial debentures. But more characteristically they "own" and are "owned": that is to say, they are effectively co-operative societies for the indirect ownership of equity claims on the profits of commercial and industrial companies. Their advantage lies in the risk-spreading that can be reconciled with comparatively small holdings: $ 1000 pesos invested in an investment trust may effectively represent investments of a few pesos in each of a large number of companies. All of them are administered by insurance companies.

The most important investment trusts are:

1. Fondo Grancolombiano
2. Fondo Suramericano de Inversion S. A.
3. Fondo Nacional de Inversiones Seguridad
4. Fondo de Inversiones Colseguros
5. Fondo de Inversiones Patria

6. Fondo de Inversiones Tequendama
7. Fondo Bolivariano
8. Fondo de Crecimiento
9. Fondo Colombia

FINANCE CORPORATIONS

Development Finance Corporations (Corporaciones Financieras) have become an important source of funds for private enterprise in Colombia. Through the existing seventeen corporations, internal and external capital is channeled into medium and long-term loans. Over 60 per cent of the loans received by the manufacturing sector in 1974 were granted by these entities.

In addition to their own equity capital, finance corporations allocate external financial resources into the promotion of new enterprises and the expansion of existing ones. External resources include the World Bank and foreign commercial bank credits and bond issue.

Finance corporations are in the position to offer different types of financial assistance, including capital underwrittings of new ventures, Requirements for working capital, purchase of local or imported equipment, construction of plant facilities, and funds for feasibility studies and technical assistance are also made available.

Emphasis is put on loans to manufacturing enterprises, though agricultural, mining and fishing activities also receive backing. Finance corporations have been established in a number of locations, due to the existence of numerous manufacturing centers in Colombia.

The most important finance corporations are:

1. Corporacion Financiera de Fomento Agropecuario y de Exportaciones (COFIAGRO)
2. Corporacion Financiera Colombiana S. A. (COFINANCIERA)
3. Corporacion Financiera de Caldas
4. Corporacion Financiera de Caribe S. A.
5. Corporacion Financiera del Norte
6. Corporacion Financiera del Transporte
7. Corporacion Financiera del Valle
8. Corporacion Financiera Estatal de Desarrollo Industrial
9. Corporacion Financiera Grancolombiana S. A.
10. Corporacion Financiera Agricola Industrial
11. Corporacion Financiera Popular
12. Corporacion Financiera de Santander
13. Corporacion Financiera del Tolima
14. Corporacion Financiera Nacional
15. Instituto de Fomento Industrial (IFI)

Local and foreign commercial banks have been participating in development finance corporations extensively. Banks are permitted to own up to 25 per cent of the equity capital of these financial institutions. Joint venture undertakings have been encouraged by this type of participation.

Among the foreign banks and international manufacturing groups with direct investment in financial corporations are:

FINANCIAL CORPORATIONS AND FOREIGN GROUPS	FOREIGN PARTICIPATION PER CENT IN CAPITAL
CORPORACION FINANCIERA COLOMBIANA.	40.6
Manufactures Hanover Trust Co.	
Bank of London and South America	
Fried. Krupp G.M.B.H. of West Germany	
Bank of Tokyo	
Industrial Bank of Japan	
CORPORACION FINANCIERA DEL VALLE.	18.0
Continental Bank of Chicago	
Industrial Bank of Japan	
The Citizens and Southern National Bank of Atlanta	
International Finance Corporation	
CORPORACION FINANCIERA NACIONAL	17.7
Adela Investment Co.	
Balfour Williamson Co.	
International Finance Corporation	
Bankers International	

CORPORACION FINANCIERA DEL NORTE 39.2

Philadelphia International Investment

Adela Investment Co.

Esso Andina Inc.

International Finance Corporation

Marine Midland Corporation

CORPORACION FINANCIERA DE CALDAS 17.8

Wells Fargo Bank

International Finance Corporation

CORPORACION FINANCIERA DEL CARIBE. 64.0

Algemene Bank Nederland N. V.

Hollandshe Bank Unie N. V.

Interamerican Trade & Development Co.

Administratie Kantoor Princenhage N. V.

N. V. Trust-en Beleggings-maatschappij

"Tebema" Amsterdam

CORPORACION FINANCIERA DE OCCIDENTE 37.6

First National City Bank of New York

CORPORACION COLOMBIANA DE FINANCIAMIENTOS COLFIN 100.0

First National City Bank of New York

Source: "Colombia Financial System Supports Growth", Colombia Today, Vol. 10, No. 10, New York, 1975.

The government-owned "Instituto do Fomento Industrial" IFI (Institute of Industrial Development) is responsible for over half of the credit operations of development finance corporations. It differs from other finance corporations in having access to public funds, and it channels its funds into medium and large-size enterprises with assets of over $160,000.

IFI is devoted to promote manufacturing activities, and played an important role in the formation of Colombia's iron and steel industries. IFI was founded in 1940 and, in 1963 became a finance corporation.

SAVINGS AND LOAN CORPORATIONS

In May 1972, the colombian authorities established a number of Savings and Loan Corporations with their deposits and loans subject to "monetary correction" in order to ensure the maintenance of their real value. Prior to this, mortage and construction credit had been financed by the Central Mortgage Bank (Banco Central Hipotecario) - a partly publicly owned development bank - and, to a lesser extent, by the commercial banks.

The Savings and Loan Corporations were created with the specific object of increasing the flow of financial resources toward the construction sector either directly through construction loans, or indirectly through mortgage loans. The former carry a basic interest rate of 9 per cent - in addition to the monetary system described below - and are subject to a maturity term of six months over the length of the construction period, while the mortgage loans bear a basic interest rate of 8.5 per cent and have a maximum term of 15 years.

The basic new feature of the savings and loan system was the introduction of a Unit of Constant Purchasing Power (UPAC), which was to reflect changes in the cost of living index and was to be applied as a factor of adjustment to the deposits and loans of the system so as to maintain their original real value. In this way, the basic rate of interest would remain the same but the actual rate of interest paid on the original deposits and loans would rise in line with the factor of monetary correction. Only the cash sum reflecting the basic rate of interest is subject to income tax on the grounds that the monetary correction element is simply maintaining the real value of deposits. The application of this method of "monetary correction" to deposits and loans was designed to ensure that positive real rates of interest prevailed within the system, thereby securing an increased flow of funds to the construction sector. The authorities have placed most emphasis on the UPAC system of monetary correction, and the correspondingly high yield on savings and loan deposits, in order to mobilize and increase volume of domestic savings.

The following are the most important Colombian Saving and Building Corporations:

GRANCOLOMBIANA

Shareholders:

Banco de Colombia

Banco del Comercio

Banco Santander

Grupo Grancolombiano

Seguros Colombia

Corporacion Financiera de Santander

Compania de Inversiones Bogotá S. A.

La Nacional de Seguros

CENTRAL

Shareholders:

Banco Central Hipotecario

Compania Central de Seguros

CONCASA

Shareholders:

Banco Cafetero

Federacion Nacional de Cafeteros

Corporacion Financiera de Occidente

Corporacion Financiera del Tolima

Corporacion Financiera de Oriente

Compania Agricola de Seguros

LAS VILLAS

Shareholders:

Banco de Occidente

Organizacion Luis Carlos Sarmiento Angulo

Seguros Alfa

CONAVI

Shareholders:

Banco Comercial Antioqueño

Banco Industrial Colombiano

Corporacion Financiera Nacional

Suramericana de Seguros

Cia. de Cementos Argos S. A.

DAVIVIENDA

Shareholders:

Banco de Bogotá

Banco Frances e Italiano

Seguros Bolivar

Colseguros

Corporacion Financiera Colombiana

Seguros Tequendama

Cuellar Serrano Gomez y Salazar Ltda.

Fernando Mazuera Y Cia.

CORPAVI

Shareholders:

Banco Popular

Banco Ganadero

Instituto de Credito Territorial

Fondo Nacional del Ahorro

Corporacion Financiera Popular

DEL VALLE

Shareholders:

Banco del Comercio

Banco del Estado

Banco de Occidente

Corporacion Financiera del Valle

Compañia de Seguros del Pacifico

Aseguradora del Valle

Eternit Pacifico

Cementos del Valle

Carton de Colombia

COLPATRIA

Shareholders:

Banco de la Costa

Banco Nacional

Banco de America Latina

Corporacion Financiera del Norte

Seguros Patria

Vivienda Guadalupe S. A.

COLMENA

Caja de Ahorros del Circulo de Obreros

Caja Social del Ahorro

Source: "El Espectador" (Newspaper), July 14th 1974, pg. 11-A

In 1973, "UPAC" deposits yielded 18 percentage points, on a net tax basis, more than traditional savings deposits, and 12 percentage points more than investment bank bounds, which are the highest-yielding nondividend financial investment available.

TABLE A

COLOMBIA : YIELD ON INSTRUMENTS OF FINANCIAL SAVINGS, 1971-1973

(in per cent)

Financial instrument	Pre-tax yield 1971	Pre-tax yield 1972	Pre-tax yield 1973	Post-tax yield 1971	Post-tax yield 1972	Post-tax yield 1973
Savings deposits at commercial banks 1	3.50	5.25	7.00	3.50	5.25	7.00
Mortgage bonds 1	11.05	11.05	11.05	11.05	11.05	11.05
Development bonds 1	11.58	11.58	11.58	11.58	11.58	11.58
Investment bank bonds	14.00	16.00	18.00	9.80	11.20	12.60
UPAC savings accounts	. . .	. . .	26.24	. . .	. . .	24.44
UPAC certificate deposits	. . .	. . .	26.84	. . .	. . .	24.85

1 Tax free Source: Banco de la Republica

TABLE B

COLOMBIA: SUMMARY OPERATIONS OF THE SAVINGS AND LOAN CORPORATIONS

(In millions of Colombian pesos)

	1972 Dec.	1973 March	1973 June	1973 Sept.	1973 Dec.	1974 June
UPAC deposits of the private sector	184	921	2,088	3,516	4,649	8,313
Savings deposits	41	181	717	1,652	2,280	5,496
Certificate of deposits	143	740	1,371	1,864	2,369	2,817
Loans disbursed	109	325	793	1,884	3,517	7,334
Construction loans	106	265	612	1,376	2,335	4,420
Individual mortgage loans	3	60	181	508	1,182	2,914
Loans disbursed as a percentage of deposits	59.2	35.3	38.0	53.6	75.7	88.2

Sources: Banco de la Republica; and Savings and Loan Board.

It has been primarily in response to this sizable interest rate differential that UPAC deposits have displayed a tremendous rate of increase.

The overall deposits of the ten Savings and Loan Corporations currently in operation increased from Col. $184 million at the end of 1972 to Col. $4,650 million by the end of 1973, and to Col. $8,313 million by June 1974 (see Table B). Thus, at the end of 1973, after barely 15 months of operation, UPAC deposits represented 36 per cent of total savings deposits in the banking system and 22 per cent of quasimoney holdings. It is interesting to note that, in spite of the relatively low minimum deposit requirement of Col. $1,000, the average size of a UPAC certificate of deposit in December 1973, was Col. $240,000 while that of a UPAC savings deposits was Col. $50,000, clearly indicating that the bulk of UPAC deposits have been held in the portfolios of business enterpises or of individuals of high-income brackets.

As regards the composition of the loan portfolios of the Savings and Loan Corporations, some two thirds of the total is in the form of shorter-term construction loans, owing to the highly liquid nature of the UPAC deposits, while the regulation requiring that 50 per cent of the system's resources be allocated to low income and middle income housing has generally not been met.

OTHER CREDIT RESOURCES

Additional sources of financing are development funds managed by the Banco de La Republica:

FONDO DE PROMOCION DE EXPORTACIONES "PROEXPO" (Colombian Trade Development Bureau). Financed by a 5 per cent surcharge on imports, this fund specifically aids export diversification. Credit and technical assistance are available.

FONDO DE INVERSIONES PRIVADAS "FIP" (Private Investment Fund). Financing both in local and foreign currency exchange, FIP has helped support new undertakings and improve the country's balance of payments.

FONDO FINANCIERO INDUSTRIAL "FFI" (Industrial Finance Fund). Financing for small and medium-sized industry is channeled through this fund.

FONDO FINANCIERO AGRARIO "FFA" (Agricultural Finance Fund). Credit is offered, in conjunction with the Agricultural Credit Bank and several commercial banks, to spur crop development.

FONDO NACIONAL DE DESARROLLO "FONADE" (Fund for Financing Feasibility Studies). Feasibility studies in various economic sectors receive backing.

We have now briefly examined the principal types of financial institutions - The Central Bank (Banco de la Republica), the Commercial Banks, Insurance Companies, Finance Corporations, Savings and

Loan Corporations, Warehouses Investment Trusts, and the Development Funds. But in classifying the types of financial institutions and their several and specific functions, we must beware of assuming that the economic system as a whole is the mere sum of separate institutions and separate functions. On the contrary - and this point will be developed in the next chapter - the system is dominated by power-groupings, many of which are composed of a linkage of commercial banks, insurance companies, finance corporations, savings and loan corporations, warehouses, investment trusts and great industrial and commercial enterprises.

NOTES

1) We understand by functioning capitalist those who are directly involved in the process of production.

2) "Commodity, something that is bought and sold". The most important characteristic of commodity production is that products are made for sale, that is, for exchange on the market, as distinct from the natural economy unit. Lenin wrote: "By commodity production is meant an organisation of social economy in which goods are produced by seperate, isolated producers, each specialsing in the making of some one product, so that to satisfy the needs of society it is necessary to buy and sell products (which, therefore, become commodities in the market)." See V. I. Lenin, COLLECTED WORKS, Vol. 1, pg. 93.

3) "The working day in capitalist establishments can be divided into two parts. In the first part of the working day the worker creates a value equal to the value of his labour power. This is called the necessary labour. During the rest of the working day, the worker creates value over and above the value of his labour power. This is called the surplus labour time and this labour, the surplus labour that is the unpaid labour of hired workers, is the source of surplus value". See, THE POLITICAL ECONOMY OF CAPITALISM, Progress Publishers, Moscow, 1974, pg/55

4) Garcia Gonzalo, LA CLASE DIRIGENTE NACIONAL, Tesis de Grado Universidad de Los Andes, facultad de Artes y Ciencias, Dpto. de Antropologia, Bogotá, August 1974, pg. 328.

5) John F. Kennedy, April 2, 1963. In 1968 modifications were made in loan contracts which made "aid" an even better deal for U. S. corporations. See, Felix Greene, THE ENEMY, WHAT EVERY AMERICAN SHOULD KNOW ABOUT IMPERIALISM, Vintage Books Edition, New York, February 1971, Pg. 123.

6) Teresa Hayter, "AID" AS IMPERIALISM, Penguin Books, 1971, pg. 15.

7) Life, Atlantic Edition, 15 April 1968, pg. 46.

8) Felix Greene, THE ENEMY, WHAT EVERY AMERICAN SHOULD KNOW ABOUT IMPERIALISM, Vintage Books Edition, New York, February 1971, pg. 143.

9) Ibid.

10) Ibid.

11) COLOMBIAN FINANCIAL SYSTEM SUPPORTS GROWTH, Colombian Today, Colombian Center, Vol. 10, No. 10, 1975.

CHAPTER III

THE FINANCIAL GROUPS

CHAPTER III: THE FINANCIAL GROUPS

FINANCE CAPITAL

> "Talk about centralisation: The credit system which has its focus in the so-called national banks and the big money-lenders and usurers surrounding them, constitutes enormous centralisation, and gives to this class of parasites the fabulous power, not only to despoil periodically industrial capitalists, but also to interfere in actual production in a most dangerous manner . . ."(1)

In general terms, the fusion of banking and industrial capital means that the spheres of finance and credit have become increasingly integrated with the spheres of production and trade. The insurance companies, bank and nominees, for example, are now the largest distinct group of investors in ordinary shares. The general integration proceeds partly by way of fusion and coalitions of industrial and financial organizations, and partly by way of financial organizations entering industry and industrial firms becoming financiers. Such integration is an inevitable consequence of modern capitalism, of the scale of its operations and of the competitive struggle.

The joint-stock company in Colombia contributed to the separation of rentiers from industrialists, and of financial from industrial organizations. It gave rise to a stratum of rentiers who had no intention of taking part directly in the operations of the companies in which they held shares. And preceding along side the joint-stock companies grew the great financial institutions who themselves centralised money resources and lent them to joint-stock companies for conversion into industrial capital. The development of the credit system demanded such a separation or specialization of functions.

Nevertheless it was but temporary and relative, and gave way to a process of integration and fusion. Taking the whole period of growth af modern capitalism in Colombia, we may distinguish a number of ways in which the fusion of banking and cognate capital with industrial capital has been brought about.

Great firms and combines emerged whose accumulated surpluses financed not simply their own normal growth and reinvestment but policies of entry into other spheres. Such firms use the banks for short-term capital only to release their own funds for long-term plans. They become holding companies and financial institutions themselves and if they do not take over special financial organizations, such as banks, insurance companies, etc., they link up with them. This is the case of "BAVARIA" financial group who started as a beer industry and ended being one of the biggest financial groups in Colombia. "BAVARIA" is an important shareholder not only in financial corporations, banks, insurance companies, savings and building corporations but in one hundred manufacturing enterprises (2).

There is secondly the more deliberate striving by financial institutions to invest directly in industry and trade.

The pressure for such investment is strong from the financial institutions themselves. The most profitable activity of the commercial banks is in advances, and the distinction between short and medium-long advances becomes somewhat blurred and probably unreal in the case of the biggest customers with whom they are often linked in other ways. The most marked pressure to invest comes from the insurance companies. The financial safety of the insurance companies depends on their ability to find profitable investment for the funds they are collecting on such a wide scale. Investment is a necessity, and it has been estimated that insurance companies now invest at the rate of one million pesos per day.

Thirdly, it happens that firms which need to begin a greatly increased scale of operations that they cannot finance themselves, are obliged to join up with some financial group. This is the case of "CRISTALERIA PELDAR" who had to join "POSTOLUX" financial group in order to compete with the rest of the glass industry. Finally, there are the results of State and semi-State intervention. The most notorious example is provided by the activities of the "BANCO CAFETERO" who controls not only important financial institutions but all the economic activity derived from the production and exportation of coffee.

The growing concentration and centralisation in industry and banking, the coalescence of banking and industrial monopolies lead to the emergence of a new type of monopoly association, 'The Finance Capital Group'.

The Colombian Finance Capital Group has a nucleus of closely inter-linked and powerful banking and credit and industrial monopolies: a linkage of commercial banks, insurance companies, finance corporations, saving and building corporations, warehouses, investment trust and industrial monopolies. These parent companies pursue a common policy, and they control a large number and variety of companies in all branches. Compared with other kinds of monopoly associations, the Financial Group is a relatively loose-knit organization. A comparatively large number of companies are within the sphere of influence of various financial groups.

SPECIFIC FEATURES OF FINANCIAL GROUPS

In Colombia, like in most developed capitalist countries the Financial Groups are in the form of joint-stock companies or corporations. In general, a joint-stock company is a form of group capitalist ownership in which the associated capitalist takes the place of a individual capitalist. It is an enterprise whose capital is composed of the contributions of its participants (shareholders), holding a definite number of shares that is proportional to the sum of money invested by them in the company. A share is a security which entitles the holders to a specified share in the company's income and to participation in the business of the company. It differs from a bill of exchange in that the money is not repayable. The money raised by the sale of the shares is the "company's share capital" and is the joint-stock company's property. Here loan capital evolves as securities in the hands of the creditor (shareholder) and capital in the possession of the borrower (company).

In addition to shares the company also issues bonds. Money obtained from the sale of bonds is returnable after a stipulated period, and the company until then has to pay a guaranteed, fixed interest to the bondholder. This money is the borrowed capital of the company. The joint-stock company first pays the bank interest and interest on the bonds. The part of profit is added to the capital and used for expansion. The remainder is divided between the shareholders in proportion to the number of shares they hold. This income of the shareholder is called the "dividend". The prices at which shares are bought and resold on the stock exchenge are known as "share quotations". The shares are sold at the price which if deposited in a bank would bring in approximately the same interest. The quotation of the share equals bank rate/dividend x 100 per cent. Hence the price of the share is the capitalised dividend computed in accordance with the current interest rate.

The dividend of every company changes according to the size of its profits. The bank rate also fluctuates heavily. That is why share quotations may fluctuate heavily over short periods.

The board of the company is elected at the general shareholders' meeting and every shareholder has as many votes as he possesses shares. The bigger shareholders usually come to an agreement so as to fully control the shareholders' meeting. Often a capitalist, a group of capitalists, a family or one or more corporations will hold the controlling block of shares, that is enough to ensure control over the company. Depending on the number of small shareholders the controlling group may vary downward of 51%, 20% or even less of the total number of shares.

SYSTEM OF HOLDINGS

A Financial Group in the form of a joint-stock company will use a variety of methods to establish domination, including participation in the capital of the companies concerned, personal union, organizational and technical services, and the conclusion of special agreements.

The system of holdings, a method by which one company owns part of the capital of another company, is one form of the coalescence of banking and industrial monopolies, and the most effective means of making financial groups more powerful. The system of holdings helps finance magnates expand their sphere of domination. Giant pyramids of enterprises, which are controlled through the system of holdings, form the basis of most financial groups. The system of holdings enable the finance magnates to control a huge mass of capital, exceeding that which they invest themselves many times over.

The German economist, Heymann, probably the first to call attention to this matter, describes the system of holdings in this way:

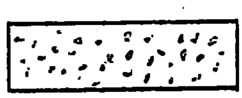
> The head of the concern controls the principal company (literally, the "mother company"); the latter reigns over the subsidiary companies (daughter companies) which in their turn control still other subsidiaries (grandchild companies), etc. In this way it is possible with comparatively small capital to dominate immense spheres of production. Indeed, if holding 50% of the capital is always sufficient to control a company, the head of the concern needs only one million to control eight millions in the second subsidiaries. And if the "interlocking" is extended, it is possible with one million to control 16 millions, 32 millions, etc. (3)

The spread of the system of holdings is promoted by the increase in the number of shareholders, since it is much easier to gain control if its capital is scattered among many people. Similar results are obtained by the ever more intricate techniques used to manage the fictitious capital of companies, for example, the issue of different kinds of shares - a method that deprives the small shareholders of any say in the business of the company. The financial groups actually own no more than 10 per cent of the securities of the majority of the companies in which they have an interest. These 10 per cent, however, suffice to establish control over many.

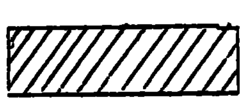
The financial group often uses the method of cross-holdings of several of the group's leading companies in the capital of a given company - to strengthen its control over companies it considers important. To conceal their domination the financial groups often set up holding companies, figure-heads.

The following diagram shows the monopolisationnetwork of the financial structure, the inter-relations among finance groups, between them and the State and between them and the Foreign Financial Enterprises.

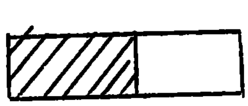
FINANCIAL STRUCTURE



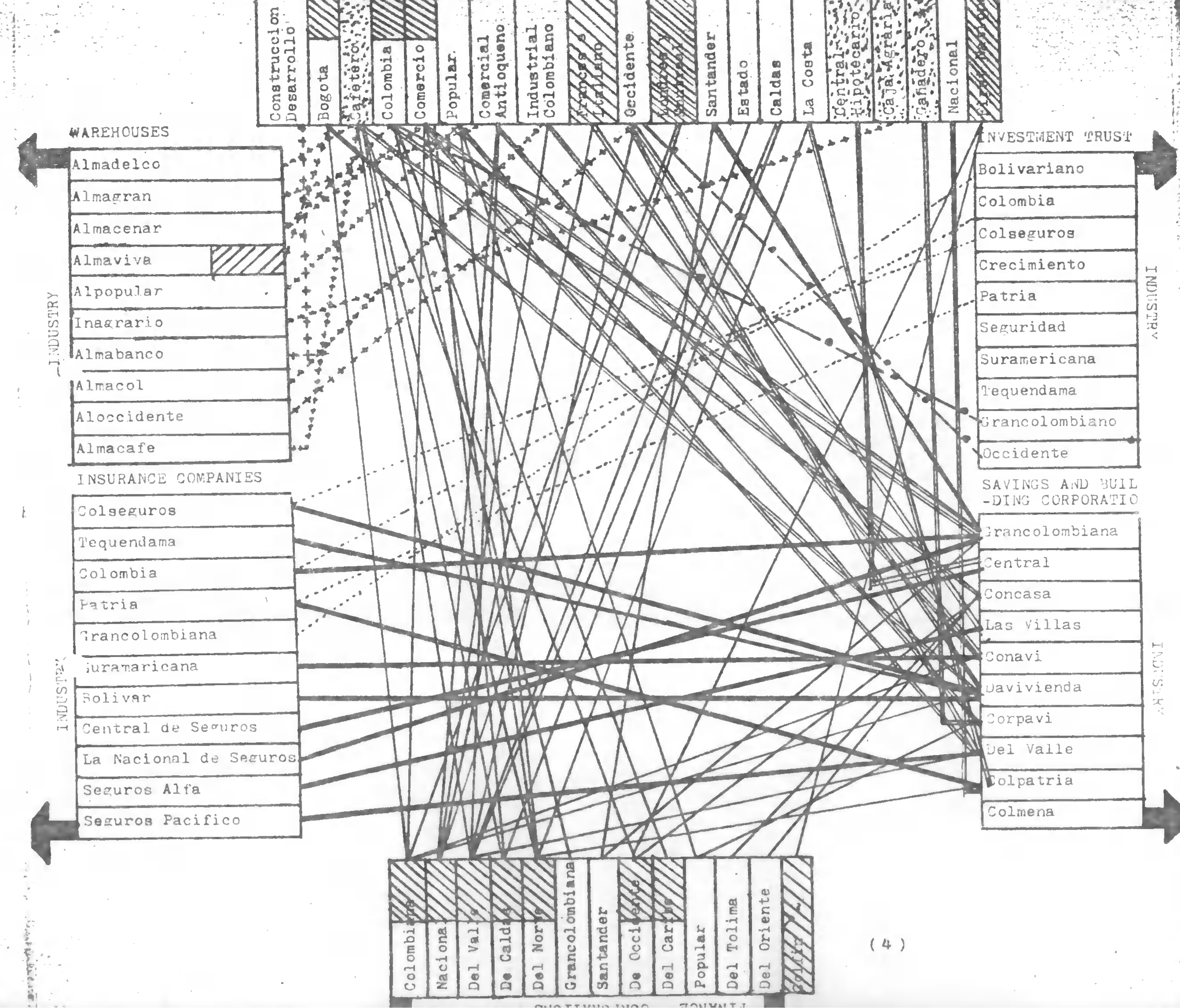
Total State Control



Total Foreign Control*



Partial Foreign Control



Construccion Desarrollo
Bogota
Cafetero
Colombia
Comercio
Popular
Comercial Antioqueno
Industrial Colombiano
Occidente
Santander
Estado
Caldas
La Costa
Central Hipotecario
Caja Agraria
Ganadero
Nacional
WAREHOUSES
Almadelco
Almagran
Almacenar
Almaviva
Alpopular
Inagrario
Almabanco
Almacol
Aloccidente
Almacafe
INDUSTRY
INSURANCE COMPANIES
Colseguros
Tequendama
Colombia
Patria
Grancolombiana
Bolivar
Central de Seguros
La Nacional de Seguros
Seguros Alfa
Seguros Pacifico
INDUSTRY
INVESTMENT TRUST
Bolivariano
Colombia
Colseguros
Crecimiento
Patria
Seguridad
Suramericana
Tequendama
Grancolombiano
Occidente
INDUSTRY
SAVINGS AND BUIL -DING CORPORATIO
Grancolombiana
Central
Concasa
Las Villas
Conavi
Davivienda
Corpavi
Del Valle
Colpatria
Colmena
INDUSTRY
Grancolombiana
Santander
Popular
Del Tolima
Del Oriente

Attached to the Diagram

Among the most important Finance Groups are:

GRUPO COLOMBIA

Investments:

Seguros Colombia S. A.

Capitalizadora Colombia S. A.

Administradora de Inversiones Colombia S. A.

Fondo Colombia

Edificadora Colombia S. A.

Inversiones para Construccion y Desarrollo S. A.

Autofinanciera Colombia S. A.

Banco Nacional

(50) GRUPO BAVARIA

Investments:

Distribuidora e Inversiones Bavaria S. A.

Malterias de Colombia

Talleres de Maquinas y Repuestos S. A.

Malterias de Techo S. A.

Empresa Promotora de Inversiones S. A.

Empresa de Refrescos S. A.

Inversiones Fenicia S. A.

Cerveceria Germania S. A.

Cia. Inversionista Nacional S. A.

Tapas y Envases S. A.

Transportadora Moderna

Inmobiliaria Colombiana S. A.

Agritecnica S. A.

B. H. C. Industrial S. A.

Fabrica de Moldes y Maquinas S. A.

Inversiones del Sur S. A.

Maderas de la Sabana S. A.

Acerias Paz del Rio S. A.

Cajas Plasticas S. A.

Central de Abastecimientos

Banco de Colombia S. A.

Ciudadela Industrial Tibito S. A.

Deltec Panamericana S. A.

Fertilizantes Colombianos S. A.

Madereras del Norte S. A.

Petroquimica del Atlantico S. A.

Quimica Suramericana S. A.

The First Universal Bank of Nassau

Palacio de las exposiciones

Cia. de Desarrollo y Turismo S. A.

Industria Ganadera Colombiana S. A.

Corporacion Financiera de Norte

(6.) GRUPO GRANCOLOMBIANO

Investments:

Aseguradora Grancolombiana S. A.

Aseguradora Grancolombiana de Vida S. A.

Capitalizadora Grancolombiana

Sociedad Grancolombiana Administradora de Inversion

Almacenar

Grancolombiana de Inversiones

Fondo Grancolombiano

Fondo Bolivariano

Mineros Colombianos S. A.

Banco de Colombia

Avianca S. A.

Colombiana de Curtidos

Coltejer S. A.

Industria Harinera S. A.

Fabricato S. A.

Ingenio Manuelita

Corporacion Grancolombiana

Inversiones Medellin

Ospina y Cia.

LA FEDERACION NACIONAL DE CAFETEROS

Investments:

Banco Cafetero

Almacafe

Alamdelcoo

Concasa Savings and Building Corporation

Corporacion Financiera de Occidente

Corporacion Financiera del Valle

Corporacion Financiera del Norte

Corporacion Financiera de Caldas

GRUPO FINANCIERO OCCIDENTE PACIFICO

Investments:

Seguros del Pacifico S. A.

Capitalizadora del Pacifico S. A.

Inversiones del Occidente S. A.

Sociedad Administradora de Inversiones de Occidente S. A.

Fondo de Occidente

Banco de Occidente

Corporacion Financiera del Valle

Corporacion de Ahorro y Vivienda Las Villas

Corporacion de Ahorro y Vivienda del Valle

GRUPO BOGOTA

Investments:

Banco de Bogotá

Almaviva

Seguros Bolivar

Fondo Seguridad

Corporacion Financiera Colombiana

Corporacion Financiera de Ahorro y Vivienda Davivienda

GRUPO DEL BANCO DEL COMERCIO

Investments:

Banco del Comercio

Almacenar

Corporacion Financiera Colombiana

Corporacion Financiera de Caldas

Corporacion Financiera del Norte

Corporacion de Ahorro y Vivienda Grancolombiana

Corporacion Financiera de Ahorro y Vivienda Del Valle

GRUPO POSTOBON

Investments:

Postobon

Gaseosas Lux

Edinsa

Compania Espanola de Refrescos S. A. (Madrid, Spain)

Gaseosas Colombiana S. A.

Gaseosas Boyaca S. A.

Gaseosas Mariquita S. A.

Gaseosas Chiquinquira S. A.

Gaseosas del Cesar S. A.

Gaseosas de la Frontera S. A.

Gaseosas del Llano S. A.

Gaseosas Tolima S. A.

Gaseosas del Huila S. A.

Gaseosas del Sur S. A.

Gaseosas Narino S. A.

Gaseosas Cordoba S. A.

Tapas La Libertad S. A.

Corchos y Plasticos S. A.

Troqueles y Envases S. A.

Cristaleria Peldar

Azucar Manuelita

Industrias Metalicas de Palmira

La Republica

El Colombiano

Radio Cadena Nacional

Circuito Super

Coltejer

Textiles Rionegro

Furesa

Delmaiz

Polimeros Colombianos

Sociedad Mercantil (7)

GRUPO CAICEDO GONZALEZ

Investments:

Diario Occidente

Diario El Siglo

Diario El Pais

Todelar

Ingenio Central Castilla Ltda.

Ingenio Bengala

Cia. Azucarera del Valle Ltda.

Corporacion Financiera del Valle

Corporacion de Ahorro y Vivienda del Valle

Ingenio Riopaila Ltda.

Ganaderia Riopaila

Banco del Comercio

Dulces Colombiana Ltda.

Distribuidora Colombiana Ltda.

Financo

INTERLOCKING OF DIRECTORSHIPS

The system of holdings is supplemented by personal networks. (8) This enables the Financial Group to gain control, not only over the given company, but also its subsidiaries. It is not necessary for the majority on a board of directors of a company to be based on the control of the bulk of that company's capital or, in fact, on a holding in general.

Research done early in 1972 among the companies who were members of the "BOLSA DE BOGOTA" (Bogotá Stock Exchange) showed the interlocking of directorships. Facts that showed in many ways the interlocking directorates have no special significance. This would imply that the interlocking is purely random. As evidence, references are made to those directors who are titled or respectable gentlemen put up to make a company attractive to investors. But the argument t that interlocking directorates represent primarily random connections would not be supported by those with experience of the world of big business and finance. If we deal only with the giant corporations we can see that the appointment of directors has a definite basis: large or influential shareholders, top executives, representatives of powerful suppliers or cliente, individuals with special knowledge of, or influence with, government offices and State departments.

DIRECTORS (name)	BOARD OF DIRECTORS
Jorge Botero Ospina	Panos Vicuna Santa Fe Confecciones Pepalfa S. A.
Alvaro de Brigard	Vidriera de Colombia La Garantia Dishington
Alvaro Castillo Samper	Celanese Colombia Avianca Cementos Samper
Eduardo Cuellar	Codi Compania Fosforera Colombiana
Dario Arango Tamayo	Cia. Nacional de Chocolates Corporacion Financiera Nacional Panos Vicuna Santa Fe Fabricato
Eduardo Arias Robledo	Banco Central Hipotecario Colmotores
Jaime Azcarate Rivera	Fondo Ganadero del Valle del Cauca Grasas S. A.
Jaime Botero Saenz	Corporacion Financiera de Caldas Central Lechera de Manizales Calema
Alberto Bernal Correa	Manelita S. A. La Garantia Dishington
Duglas Botero Boshell	Banco de Bogotá Avianca
Federico Blanco de La Rosa	Blanco y Roca y Cia. Abocol
Guillermo Botero Falls	Banco Grancolombiano Aseguradora Grancolombiana Industria Harinera
Ivan Correa Arango	Banco Industrial Colombiano Corporacion Financiera Nacional Fabricato
Guillermo Cortes Castro	Aseguradora Grancolombiana de Vida Banco Grancolombiano
Jorge Cubides Camacho	Muebles Artecto Cia. de Inversiones Bogotá Banco de Colombia

DIRECTORS (name)	BOARDS OF DIRECTORS
Jose Alejandro Cortes O.	Cristaleria Peldar Capitalizacion y Ahorros Bolivar
Hernando Castillo Samper	Empresa Colombiana de Curtidos Avianca Bavaria Celanese Capitalizacion y Ahorros Bolivar
Daniel Cortes Osorio	Capitalizacion y Ahorros Bolivar Industria Harinera Manfacturas de Cuero La Corona
Hernando Dumit K.	Empresa Colombiana de Curtidos Capitalizacion y Ahorros Bolivar Cia. Colombiana de Gas Banco Santander
Luis Carlos Estrada	Cia. Suramericana de Seguros Banco Industrial Colombiano Compania Colombiana de Seguros
Luis Escobar Garcia	Acerias Paz de Rio Manufacturas de Cuero La Corona Capitalizacion y Seguros Bolivar
Poicarpo Gutierrez E.	Cia. de Inversiones Bogotá Cementos Samper Cia. Colombiana de Seguros
Carlos Gutierrez B.	Cia. Suramericana de Seguros Cementos Argos Banco Industrial Colombiano Cia. Colombiana de Tabaco Corporacion Financiera Nacional
Adolfo Arango Montoya	Cementos Argos Corporacion Financiera Nacional Industrias Metalicas de Palmira Banco Comercial Antioqueno
Roberto Arango Mejia	Cementos Argos Bavaria S. A. Industrias Metalurgicas Musa Banco Comercial Antioqueno
Carlos Acevedo L.	Codi La Corona
Carlos Angel V.	Cine Colombia Banco Industrial Colombiano
Carlos Ardila Lule	Gaseosas Posada Tobon Aseguradora Grancolombiana

DIRECTORS (name)	BOARD OF DIRECTORS
	Banco Grancolombiano Cristaleria Peldar
Carlos Arango Restrepo	Cementos Caldas Corporacion Financiera de Caldas
Iganacio Betancur Campuzano	Ospina Y Cia Acerias Paz del Rio
Enrique Barco Guerrero	Hilanderias del Ponce Banco Santander

The role of personal unions within the financial groups has grown in recent decades. This is promoted by the general growth in the concentration and centralisation of capital, and by the growing intricacy of the management of economicclife. That is why, in addition to infiltration into the board offdirectorships, the company's engineering and technical services which prepare drafts of the key decisions for the boards, and over various research offices, play an increasingly important part in enterprise management. This shows that the importance is growing of the third basic method of monopolising control - the rendering of various financial, organisational and technical services to enterprises by the financial groups.

FINANCIAL SERVICES AS A METHOD OF MONOPOLY CONTROL

A good way to establish to which financial group a company belongs is to find out for whom it provides the financial services. The financial institutions that act as organisational centers of groups, endeavour to monopolise the provision of financial services for "their" companies and to extend them to the maximum. Financial services are in this case a means of raising the profits of a group (by holding on to a share of the value that would otherwise have to be paid to other banks rendering these services and charging exhorbitant fees for their services to small companies, or to any independent companies in difficulties). At the same time they are a powerful means of extending the group's sphere of control.

The central bank of the group generally handles the current payments of "their" enterprises and negotiates all important financial transactions: the increase in the company's capital, the floating of bonds, the payment of dividends to shareholders; the floating of new securities of the company on the stock exchange and the representation of its interests there.

At present financial services are often rendered to companies not by a single bank, but by several financial institutions which belong to different financial groups. Within these consortiums, there is generally one bank that is the main representative of the enterprise's interests and is used by the monopoly elite of the financial group to control the enterprise. The participation of the same financial groups in a large number of consortiums generally indicates that these groups are drawing close together, that a growing interpenetration is leading to the gradual emergence of an even more powerful financial and economic union, into whose sphere of influence several "old" financial groups are drawn.

Financial services are very frequently combined with other kinds of services from the central companies of the group, which are used by the financial magnates to tighten control and to expand the group's sphere of influence. For example, since they have a large staff of specially trained people, banks and other central companies, for certain commodities, make recomendations to enterprises, establish links with foreign customers for them, and help them on various technico-economic, financial and economic matters.

FINANCIAL GROUPS AND THE FINANCIAL OLIGARCHY

The social group that controls the parent companies or the nucleus of the financial groups is the "Financial Oligarchy". It is a method by which a handful of financial magnates can establish and extend their rule over a vast number of industrial, financial and other enterprises.

There is, of course, no one type of financial corporate hierarchy, but one general feature of the corporate world does seem to prevail quite widely. It involves a number one stratum at the top - the controlling block of shareholders, the board of directors and the president and vice-president - whose members advise and counsel and receive reports from a number two stratum of operating managers.

It is of the 'number one stratum' that the Financial Oligarchy is a part. The 'number one stratum' are the controlers, directors and co-ordinators of the process of production and the financial means. And the 'number two stratum' are the scientists, technologists and the non-controlling block of shareholders (small and medium shareholders). It is something like the "line" and the "staff" division invented by the army. The top is staff; the number two is line, and thus operational.

The number two executives are individually responsible for given units, plants, departments, etc.. They stand between the active working hierarchies and the directing top to which they are responsible. And in their monthly and yearly reports to the top executives, one simple set of questions is foremost: did we make money, if so, how much? If not, why not? The 'number two' men, for example, may negotiate for months with the salesmen over a tubeless tire before the top executive descend to operation-level conferences. Theirs is not the idea nor even the decision, but the judgement. On the top levels this judgement usually has to do with the investment of money to make more money and the getting of others to do the work involved. "The running of a large business consists essentially of getting somebody to make something which somebody else will sell to somebody else for more than it costs" (10).

The 'number two stratum' of managers are mainly specialists.

> "We sit at our desks all day, while around us gyrate a vast number of special activities, some of which we only dimly understand. And for each of these activities, there is a specialist . . ." ". . . All of them, no doubt, are good to have. All seem to be necessary. All are useful on frequent ocassions. But it has reached the point where the greatest task of the president is to understand enough of all these specialities so that when a problem comes up he can assign the right team of experts to work on it." (11)

On the middle levels, specialization is required. But generally the operating specialist will not rise, only the "broadened" man will rise. What does it mean? It means, for one thing, that the specialist is below the level on which men are wholly alerted to profit. The "broadened" man is the man who, no matter what he may be doing, is able clearly to see the way to maximize the profit for the corporation as a whole. The man who rises to the top is the broadened man whose specialty coincides with the aims of the corporation, which is the maximizing of profit. Financial expiedency is the chief element of corporate decision, and generally, the higher the executive, the more he devotes his attention to the financial aspect. What is needed, as Gustavo Piquero remarked, "is not specialized knowledge, but persuasive salesmanship, coupled with the ability to command the millions and the investment-sales machinery of a large banking house, and to command also the services of astute corporation lawyers and stock market operators. (12)

The closer to "the number one stratum" the executive gets, the more important are the big-propertied cliques and political influence in the making of his top executive career. "To be a top manager in a 'financial capital group' you have to be an important stockholder or you have to represent one". (13)

Seventy-two per cent of the top executives interviewed are part of the "controlling block of shareholders" and the rest always represent a big shareholder or an important group of them.

When one reads the speeches and reports of executives about the type of man that is required, one can not avoid this simple conclusion: he must fit in with those already at the top. This means that he must meet the expectations of his superiors; that in personal manners and political views, in social ways and business style, he must be like those who are already in the "number one stratum".

The myth about "democratisation of capital", one of the main pillars of the theory of "neocapitalism", include a number of postulates - on the revolution in ownership, production management, income and the role of the State - all of them based on the differences and interelations between "the number one stratum" of managers and shareholders. This theory maintains that the spread of joint-stock companies and the wealth of property, that every shareholder, however small, becomes a profit-making co-owner of capital.

This theory is confused in two aspects: First, it confuses two different processes: concentration of capital and socialisation of production. Joint-stock companies are not "revolutions in ownership", but only a change in the form of private capitalist ownership. Individual capitalist property merely becomes collective capitalist property. But capitalist group property is by no means social property. It remains private property in content since the means of production remain in monopoly possession of the capitalist class while the producers - the workers - are deprived of the means of production. And second, that crucial decisions on financial capital investment, etc., are not taken by the "number two stratum" of managers and shareholders, but in every company by its "number one stratum", specially by its board of directors. And the typical board of directors is not made up of departmental managers, scientists or small shareholders; the crucial grouping is the decisive shareholders. As I stated earlier, "the board of the company is elected at the general shareholders' meeting and every shareholder has as many votes as he possesses shares. The bigger shareholders usually come to an agreement so as to fully control the shareholders' meeting.

Sometimes a rich family will hold the controlling block of shares, that is, enough to ensure control over the company. Always in a joint-stock company it is the board of directors who elects the "number one stratum" of managers - presidents and vice-presidents.

We cannot interpret ownership as a formal right to income. A share in the hands of a small shareholder is a symbol of ownership rather than real possession of things concealed behind it. The history of capitalism is littered with "titles", pieces of share paper, etc., which are worthless; that story is repeated, specially for small shareholders, every day. Marx, in the German Ideology wrote: "If, for instance, the income from a piece of land is lost owing to competition, then the proprietor certainly has his legal title to it . . . but he can do nothing with it . . ." The important thing is the relationship created by the fact that the means of production are privately owned, with a small group in decisive ownership and control. The small shareholder in the 'Financial Group' or in the capitalist society, as before, are deprived of the means of production and are compelled to sell their labour power. For this reason, we have to distinguish not only ownership of the means of production from ownership of consumer goods, but also the decisive owners from those shareholdings which are nominal in relation to the way they make their living.

The diffusion of share among "the number one stratum" of shareholders, far from preventing financial magnates from seizing joint-stock societies, on the contrary, facilitates this task for them. Small shareholders need a smaller number of shares to win a majority of votes. In the financial joint-stock societies capital is in possesion of several capitalists rather then one, i.e., of the board of directors. But to make up for it, the capital at the dispoal of thses capitalists is many times larger then their former individual property. Through the system of shares a handful of financial magnates has the entire capital at their disposal. "To be able to handle the affairs of a 'Financial Group', the capitalist only needs to have controlling interest, which is approximately 25 per cent, and sometimes much less, of the total values of shares". (14)

The ability of the joint-stock form to utilise small packets of money and the development of the stock exchange as an instrument for buying and selling of shares have given rise to a wide stratum of shareholders whose interest is not the control of the company. They do not expect control but a share in the profit made by the effective controllers. Their concern has, in large part, been with the dividends and not with the total profit-ability of the firm.

In this way, instead of 'collectivisation of capital' and 'expansion of the range of owners' capital is in fact concentrated in the hands of a handful of capitalists who reap the fruit of production, which is social in character.

THE INTERCONNECTION BETWEEN STATE AND THE FINANCIAL OLIGARCHY

Before going on to an analysis of the inter-relation and coalescence among "the state" and the "financial oligarchy" we have to clear up the concept of "state". There is one problem about "the state" which is very seldom considered, yet which requires attention if this discussion is to be properly focused. This is the fact that "the state" is not a thing, that it does not, as such, exist. What "the state" stands for is a number of particular institutions which, together, constitute its reality, and which interact as part of what may be called the state system. These are the institutions:

THE GOVERNMENT

THE ADMINISTRATION - which now extends far beyond traditional bureaucracy of the state, and which encompasses a large variety of bodies, often related to particular ministerial departments, or enjoying a greater or lesser degree of autonomy - public corporations, "Banco de la Republica", "Junta Monetaria", "Superintendencia Bancaria", etc. - and concerned with the management of the economic, social, cultural and other activities in which the state is now directly or indirectly involved.

THE MILITARY AND THE POLICE - and the para-military and security forces of the state, and which together form that branch of it mainly concerned with the "management of violence".

THE JUDICIAL BRANCH - Judges, "Corte Suprema de Justicia", etc.

PARLIAMENTARY ASSEMBLIES - "Senado", "Camara", "Asembleas Departamentales", "Concejos Municipales", etc.

It is these institutions in which "state power" lies, and it is through them that this power is wielded in its different manifestations by the people who occupy the leading position in each of these institutions - presidents of Colombia, ministers, top military men, judges of the "Corte Suprema de Justicia", leading members of parliamentary assemblies, etc.

It is not very surprising that government and state should often appear as synonymous. For it is the government which speaks on the state's behalf. It was the state to which Weber was referring when he said, in a famous phrase, that, in order to govern it must "successfully claim the monopoly of the legitimate use of physical farce within a given territory" (15)

But the "state" cannot claim anything: only the government of the day, or its duly empowered agents, can. Men, it is often said, give their allegiance not to the government of the day but to the state, yet from this point of view, the state is a nebulous entity; and while men may choose to give their allegiance to it, it is to the government that they are required to give their obedience. A defiance of its orders is a defiance of the state, whose name the government alone may speak and for whose actions it must assume ultimate responsibility.

This, however, does not mean that the government is necessarily strong, either in relation to other elements of the state system or to forces outside it. On the contrary, it may be very weak, and provide a mere facade for one or other of these other elements and forces. In other words, the fact that the government does speak in the name of the state and is formally invested with state power, does not mean that it effectively controls that power.

The coalescence of the financial groups and the state proceeds in two main directions. On the one hand, there is a growing monopolisation of the state, that is, the financial oligarchy increasingly takes over the state with all the resources and powers. On the other, the state is taking over the capitalist economy in most diverse forms. The state becomes a big industrialist, merchant and banker - the Colombian state holds almost a third of the total assets of the Colombian banking and credit system. State regulation extends to all the most important aspects of capitalist reproduction. (16)

In this mechanism, subordinated to the interests of the financial groups, the Colombian state commands a relative autonomy necessary to enable the bourgeois state to defend the common interests of financial capital. This autonomy is due mainly to the important role the state plays in the Colombian economy. The state must manoeuvre in its policy, taking into account the competitive struggle between financial groupings, and also the contradictions between monopoly and non-monopoly capital. The state acts not only in the current, but also, sometimes mainly in the basic interests of financial capital. In questions of economy, politics and class relations it must adopt and implement long-term decisions directed first and foremost at reducing the threat at the very foundations of monopoly rule. It often happens that the current needs of individual monopoly grouping clash with the basic interests of financial capital as a whole. In this event the state will subordinate the first to the second, even at the risk of the dissatisfaction of some financial groupings - for example, President Lleras interferred with "Bavaria" financial group to control their economic diversification. All this means that the monopolies themselves need the state's autonomy to secure their vital interests.

Even though the coalescence of "state-financial-oligarchy" occurs at all levels and in all the state's institutions, this coalescence can best be seen by looking at the personal unions between the financial groups and the government. These personal links develop along three lines:

1) High government officials hold key posts in financial groups - 6 out of 5 presidents of Colombia, during the "Frente Nacional", have had key positions in financial groups. Sixty per cent of all the "Ministros de Desarrollo" during the "Frente Nacional" have very strong connections with the financial groups.

2) Financial agents hold key positions in the government; 30% of the members of the financial oligarchy have had important posts in the state's financial institutions and public corporations.

3) The financial oligarchy takes the most r responsible posts in the government; 70% of all the members of the "Banco de la Republica", "Junta Monetaria", "Superintendencia Bancaria" and "Government Own Commercial Banks" boards of directors belong to the financial oligarchy. "Financial groups always have their own share in the government; they have always been very well represented in the most important state institutions. (17)

It may be granted that members of the financial oligarchy who enter the state system, in whatever capacity, may not think of themselves as representatives of financial capital in general or even less of their own financial group in particular. But even though the will to think in "national" terms may well be strong, financiers involved in government and administration are not very likely, all the same, to find merit in policies which appear to run counter to what they conceive to be the interests of financial capital, much less to make themselves the advocates of such policies, since they are almost by definition most likely to believe such policies to be inimical to the "national interest".

Notwithstanding the substantial participation of the financial oligarchy in the business of the state, it is however true that they have never constituted, and do not constitute now, more than a relative minority of the state elite as a whole. It is in this sense that the financial oligarchy of Colombia is not, properly speaking, a "governing" class. But, because they control more means of production and because they subordinated the state to the interests of the financial capital, they can be considered as "Ruling Class".

NOTES

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CHAPTER IV

FINANCIAL OLIGARCHY: OWNERSHIP AND CONTROL

CHAPTER IV - FINANCIAL OLIGARCHY: OWNERSHIP AND CONTROL

There is a widespread impression among top financiers that the "Financial Oligarchy", as all the corporate world, is divided into two irreconciable factions: The owners of the capital, that is the shareholders and the controllers of the corporation, that is the managers; that the control of the "Financial Group" has passed into the hands of an increasingly professional group of managers whose interests are distinct from those of the shareholders and who pursue their own policies; that the control by a small group of dominant shareholders is not very important, and that the commonest type of control is by a professional management which is not itself a significant owner. This leads to the view that this professional management, unlike the shareholder, is not primarily concerned with self-enrichment. The managers are said to be more concerned with production rather than with profit, with efficiency rather than exploitation, with rank and status rather than wealth. Not being shareholders, they prefer to plough profits back rather than to distribute them in dividends.

From this view of the managerial element as free from the direct pressure of the owners of the property which it controls, it is but a short step to the claim that these managers constitute a distinct economic and social grouping, with impulses, interests or motivations fundamentally different from and even antagonistic to the interests of mere shareholders. They do also generally tend, implicitly or quite often explicitly, to claim that managerial motives and impulses are necessarily better, less selfish, more socially responsible, more closely concerned with the public interest, than the shareholder.

This view we have already encountered in an elementary form in the "nuetral technocracy" of Berle and Means and the "Soulful Corporation" of Carl Kaysen: it is developed more elaborately in such works as James Burham's "The Managerial Revolution" and Berle's "The 20th Century Capitalist Revolution".

Carl Kaysen, in a paper delivered at the 1956 annual meeting of the "American Economic Association", speaks of "the wide-ranging scope of responsibility assumed by management" as one of the "characteristic features of behavior" of the modern corporation, and proceeds as follows:

> No longer the agent of proprietorship seeking to maximize return on investment, management sees itself as responsible to stockholders, employees, customers, the general public, and, perhaps most important, the firm itself as an institution . . . From one point of view, this behavior can be termed responsible: there is no display of greed or graspingness; there is no attempt to push off onto workers or the community at large part of the social costs of the enterprise. The modern corporation is a soulful corporation. (1)

Burham's argument is that the managers

are taking over the economic power which was formerly in the hands of the capitalist owners of industry, and are thus acquiring the power to shape the whole social system. He supports his thesis - which requires that the managers shall have distinct social group interests in a struggle for power - by attempting to show that the individualistic ideology of capitalism is being replaced by a managerialist ideology. He argues that we are living in a period of transition from one type of society to another, from capitalist society to a type of society which he proposes to call the "managerial society".

There is a voluminous literature dating back to the turn of the century and reaching its culmination in the famous work of Berle and Means which argues most emphatically that the modern corporation represents a qualitative break with the older form of individual enterprise and that radically different types of behavior are to be expected from it. According to Berle and Means:

> It is conceivable - indeed it seems almost inevitable if the corporate system is to suvive - that the "control" of the great corporations should develop into a purely neutral technocracy, balancing a variety of claims by various groups in the community and assigning to each a portion of the income stream on the basis of public policy rather than private cupidity. (2)

All these views are linked with the theory about the spread of joint-stock companies - the diffusion of shares among "the number two stratum" of shareholders.

Many advocates of this theory are trying very hard to prove that under the present conditions the capitalists have lost their right to the control of the economy. The American economist A. Berle writes: "The transformation of property from an active role to passive wealth has so operated that the wealthy stratum no longer has power. The function of control has been taken over by hired managers depicted as "representative of the people". (3)

According to these views, the maximization of profits has ceased to be the guiding principle of management. They, being self-appointed and responsible to no outside group, are free to choose their aims and in the typical case are assumed to subordinate the old fashioned hunt for profits to a variety of other, quantitatively less precise but qualitatively more worthy, objectives.

The implications of this doctrine are far reaching. The truth is that if it is accepted, the whole corpus of traditional economic theory must be abandoned. This has been most effectively pointed out by Mason:

> But if profit maximization is not the directing agent, how are resources allocated to their most productive uses, what relation have prices to relative scarcities, and how do factors get remunerated in accordance with their contribution to output? Assume an economy composed of a few hundred large corporations, each enjoying substantial market power and all directed by managements with a "conscience". Each manage-

> ment wants to do the best it can for society consistent, of course, with doing the best it can for labor, customers, suppliers, and owners. How do prices get determined in such an economy? How are factors remunerated, and what relation is there between remuneration and performance? What is the mechanism, if any, that assures effective resources use, and how can corporate managements "do right by" labor, suppliers, customers, and owners while simultaneously serving the public interest? (4)

Along with the interviews, I made a search of management literature, both general and specialized, and I found that the most important aim of the Colombian Financial Oligarchy, whether as shareholders or managers, is the pursuit and achievement of the "highest possible practicable" profit for their own enterprise. A long-term profit rather than a short-term profit maximization. They are very concerned about cost reduction, the expansion of revenue, and the increase of profits. They give much importance to standards and to the need of remedying unsatisfactory situations. The drive is always toward the better, and frequently the best, not just the good. They have a strong tendency to the growing use of economists, and management consultants. The main function of most of these people is to help top managers reduce costs, find superior methods, choose the most profitable alternative, and uncover new profit opportunities. As these people gain in influence in business councils, profit oriented rationality is likely to be more and more representative of top financial managers.

I was impressed by the rapid development of analytical and managerial techniques that both stimulate and assist the financial corporation to find the least costly ways of doing things and the most profitable thing to do. There are also greatly improved forms of accounting and budgeting, improved methods of market analysis, and refinements in business forecasting. The unifying character of these techniques is that they seek to apply the principles of rational problem-solving to business planning and decision making.

The theory of "highest possible practicable" profits has been pointed out by James Earley of the University of Wisconsin who had been engaged for a number of years on a study of management policies:

> The major goals of modern large-scale business are high mangerial incomes, good profits, a strong competitive position, and growth. Modern management does not view these goals as seriously inconsistent but rather, indeed, as necessary, one to the other. Competitive strength and survival, management believes, require large innovative and substantial growth expenditures in the rapidly changing technical and market conditions of the present day. Since growth by merger is hazardous and frequently impossible, large and more or less continuous capital expenditures are necessary. For well-recognized reasons, management wishes to minimize outside financing, so the funds for most of these expenditures must be internally generated. This requires high and growing profits above dividend levels. So, too, do high managerial rewards. High and rising profits are hence an instrument as well as a direct goal of great importance.

> With these goals and needs in view, advanced management plans for profit through time, using coordinated programs stretching as far ahead as practicable. The profit targets incorporated in these programs are sufficient to finance not only good dividends but also desired innovative and growth expenditures. The programs are revised frequently, as experience accrues and new opportunities are discovered.
>
> The tendency toward profit maximization appears in this system along several dimensions. In the process of revising and reformulating programs, more expensive and less profitable activities are pruned or dropped and cheaper or more profitable ones are added. Less costly processes and the more profitable product and market sectors serve as the standards toward which others are expected to converge or be replaced. By steadily selecting those methods and sectors that promise better returns, these standards are kept high and, if possible, rising. Finally, the overall profit and growth targets of the enterprise as a whole are raised through time, unless adversity prevents.
>
> These goals and programs and standards, it is true, represent at any time "aspirations levels" and the efforts to satisfy them receive prime attention. But the two major points about them are that 1) they are to be hard to reach and 2) they will ordinarily recede through time. Even in good times the firm's aspiration levels, therefore are fairly taut, and they are highly elastic upward. On the other hand, there is a great resistance to adjusting profit and other standards downward, so that in bad times the business firm tries even harder to make the highest practicable profits. (5)

Earley in this statement introduces a healthy corrective to the conventional notion of profit maximization. This conventional notion has been tied to a more or less explicitly stated assumption that the maximizing entrepreneur has complete knowledge of all alternatives open to him and of the consequences of choosing any combination of them. Given this assumption, he can always select the combination of alternatives which yields an absolute maximum. Further, if it is assumed that his knowledge remains equally complete in the face of changing conditions, it follows logically that he can always make instantaneous and appropriate adjustments to new circumstances. What is involved here is an assumption of omniscience on the part of the entrepreneur which, far from being a useful abstraction, is of course an absurdity.

The firm (whether individual entrepreneur or financial corporation makes no difference) always finds itself in a given historical situation, with limited knowledge of changing conditions. In this context it can never do more than improve its profit position. In practice, the search for "maximum" profits can only be the search for the greatest increase in profits which is possible in the given situation, subject of course to the elementary proviso that the exploitation of today's profit opportunities must not ruin tomorrow's.

Alternative goals such as: growth, size, status, high managerial income, a strong competitive position, etc., could be reducible to the single common denominator of "profitability". As Baran and Sweezy put it, "profits even though not the ultimate goal, are the necessary means to all ultimate goals. As such, they become the immediate unique, unifying, quantitative aim of corporate policies, the touchstone of corporate rationality, the measure of corporate success". (6)

Like big shareholders, top financial managers are marked by the supreme contradiction of which Marx spoke a hundred years ago, namely the contradiction between its ever more social character and its enduringly private purpose. It is absurd to think that financial managers, who are the main instruments of that contradiction, should also be able to overcome it by some "soulful" effort of will. For them to do so must entail the denial of the very purpose of their activity, which is the achievement of private profit.

Inside the Colombian financial system the normal procedure for an ambitious manager is to work himself up to as near the top as possible of as powerful and big a financial corporation as possible. Once he enters a given Financial Corporation, he devotes himself to two ends: ascending the managerial ladder and advancing the relative status of his financial group in the corporative world. In practice these two ends are indistinguishable: the manager's rise in the financial group depends on his contribution to improving the position of the group. This is the crux of the matter, and this is why we can say that the financial top manager is dedicated to the advancement of his company precisely to the extent that he is dedicated to advancing himself". (7)

Sometimes tension occurs between managers and shareholders, and occasionally erupts into conflict. Shareholders, for instance may feel that mangers are insufficiently dividend-conscious, or too generous to themselves by way of emulments, or too ready to spend money for purposes not immediately and obviously related to the making of profit; and managers for their part may feel that shareholders are more concerned with short-term rather than long-term profit. But these are tactical differences within a strategic consensus of "profit maximization". The differences of purpose and motivation which may exist between them are overshadowed by a basic community of interests.

It is of course true that in the typical Colombian financial group the "number one stratum" of management is not subject to small stockholder control, and in this sense the separation of ownership from control is a fact. But there is no justification for concluding from this that top management is divorced from big ownership. Quite the contrary, managers are among the biggest shareholders: seventy-two per cent of the top executives interviewed are part of the controlling block of shareholders of the financial group in which they are managers (40% are representatives of their family trust and 32% are individual shareholders). And only 28% of them are medium or small shareholders, but all of them are elected by the shareholders' committee, all of them are agents or representatives of big shareholders. This means that they can be removed from their jobs when ever the shareholders feel like doing so.

Even when managers are not important shareholders in their own companies, they are usually very wealthy men. Very high salaries are the common characteristic of the top financial managers. Salaries over a half million pesos annually are fairly common, and higher ones are not exactly rare. Eighty-nine percent of the top executives interviewed were found to have a salary of more than 600.000 pesos annually, excluding income derived from share ownership, pensions and retirement provisions, extra bonus, expense accounts, etc.

Among the accoutrements that often go with the top executive salary but never reported to tax collectors are such benefits as these: free medical care, payments of club fees, company lawyer and accountants available for tax, financial and legal advice, facilities for entertaining customers, recreation facilities, expensive holidays abroad, scholarship funds for children of executives, company automobiles, etc.. A company dedicated to keeping its top managers happy can with all propriety have a company airplane for business trips and a yacht in Cartagena and a hunting fishing lodge in "Los Llanos Orientales" to entertain its biggest customers. It can also arrange to hold its conventions in San Andreas, Miami, or Mexico. The effect, as far as company executives go, is to provide travel and vacation facilities without cost. The top financial managers can have their holidays any where; take along enough work or enough customers to justify the trip and proceed to have a pleasant time. All these benefits are free to the executive, and they are deductible as an ordinary business expense by the corporation. These benefits can easily double or triple the manager's salary. That salary, for the 85% of the top managers, only represents 15% to 20% of their total income.

It should be noted that the social origin of the top financial manager in Colombia is generally the same as that of other men of high income and large property. These managers come from high status families. Their fathers are mainly owners of large business: 56% are sons of important financial shareholders; 18% of big commercial and industrial entrepreneurs; 12% of landowners; 11% of professional men. There are only 3.5% who are the sons of "white collar men". None of them are sons of artisans or manual workers. Among their relatives are to be found diplomats, big businessmen, large landowners, important army officers, influential politicians, etc. Even if the socio-economic background of the top financial managers is traced back over two generations, they still appear to have experienced very little social mobility. The occupations of their grandfather's signify high social status. They were mostly

mostly landowners and big businessmen and they also included diplomats, politicians, doctors, civil engineers, etc.

Many confuse the question of the class affiliation of managers. Actually a special class of managers is non-existent. The lower echelons of the managerial apparatus, i.e., those directly involved in the process of material production, belong to the "intelligentsia" and receive salaries. They are not invested with the function of taking crucial decisions on the activities of the enterprise, nor do they take part in the distribution of profits. As for managers in the "number one stratum", they belong to the big monopoly bourgeoisie. Therefore, it is utterly wrong to depict them as representative of the people. Even they, however, control the activities of corporations only when they have controlling interest in the stock of shares, when they are, in effect, capitalists. Thus the arguments about the "managerial revolution" and "managerial society" are at variance with the realities. The basic aim of these theories is to camouflage the rule of the "financial oligarchy" and the growth of its profits. Top managers receive huge income - hundreds of thousands of pesos a year. This income is one of the concrete forms of appropriation of profits by the "financial oligarchy". Bourgeois economists try to conceal this fact, depicting the "number one stratum" of managers as rank-and-file employees.

NOTES

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CHAPTER V

THE BIRTH AND THE MOBILE FINANCIAL OLIGARCHY

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The interview material revealed the career patterns of the "financial oligarchy"; how they reached and maintained their positions and the ways in which job recruitment took place. All this was possible by the manipulation of kinship or friendship ties and by the possession of the right qualifications and training.

Because of the interlacing of kinship and friendship ties through many "financial groups", one often hears the comment that it is not what you know but whom you know that counts in getting ahead. But perhaps a little more realistic is the comment that if a friend can get you in the door - from then on you are a little more on your own. No business can afford to hire and advance men who can not compete at all.

Looking more closely at the different types of personal ties and the ways they operated, we find that kinship was functional for job recruitment and career advancement. There were two ways in which kinship ties operated - the inheritance of a controlling shareholder position in a "financial group" and the manipulation of kin ties to secure a good job in a "financial group". Almost fifty per cent of the sample had inherited their position in a "financial group" from the previous generation of kin, usually the father. Kin contacts were also operative in securing jobs in "financial groups." For instance, many of the managers had first entered financial groups through their father who had a friend who employed them. Both consanguineal and affinal ties were used in this way. The span of kinship ties used extended as far as second cousins.

Friendship ties operated in a similar way. Twenty per cent of the sample had gained their present positions through friendship ties. In most cases, there were family friends, school friends and often friendships initiated at prestigious schools. But in general, all of them had manipulated personal ties to secure positions during the course of their careers.

Voluntary associations, in general, helped the financial men to make contacts useful for their careers. These clubs provided opportunities to make contacts which might be useful both for job recruitment and for doing business. One president of a bank told me that he joined the "Bogotá Country Club" and took golf classes there, simply because it was a good way to make business contacts, especially with important American executives.

Some associations were joined because membership was prestigious, though at the same time the more prestigious the club the more influential the contacts made there. Members of the Financial Oligarchy tended to belong to the most prestigious clubs in Bogotá -"Club

Los Lagartos", "Country Club", "Jockey Club", "Club de Ejecutivos", etc.

The importance of local connections was recognised by several American Multinational corporations. In 1973, many of these corporations instead of sending an American manager to Colombia, appointed a Colombian for the first time. This manager achieved the position through ability and also because he was considered to have useful connections.

In Colombia, as a result of the great concentration and centralization of the financial means a small number of people have a great deal of influence over the financial groups. Therefore, good connections are especially useful - a few good connections can open up large areas of Colombian society. Colombian financiers say that in Colombia everyone knows everyone else, meaning that everyone who is anyone knows everyone else.

Another important means to mobility is the possession of the right qualifications and training. Eighty-four per cent had some sort of further education. Seventy per cent had attended university, most of them having graduated with a degree. Sixty-five per cent of them had studied abroad. In these cases, they had taken business or industrial courses outside of Colombia because they felt these were of more value than those offered by

Colombian institutions. Many of them had taken courses in other parts of the world, especially in the United States. Here there was clearly a desire to gain a qualification better than that available in Colombia.

Qualification and training are very important in Colombian financial groups because they have to compete with foreign corporations. It means that to be able to participate in the industrial and financial sectors, Colombian financial groups must possess the same technological level and skilled personnel as the multinational corporations. This in fact tends to inhibit the career of the autodidact. The nineteenth century European-style entrepreneur is no longer possible. Therefore, to be successful, the twentieth century Colombian financier must acquire the right skills.

When studying the social mobility of the Colombian financial oligarchy we must keep in mind two different types of movements. The first, a vertical movement, is from a lower occupational background to a position in the financial oligarchy - movement out of the occupation of the father, through a succession of positions, to a position in the financial oligarchy. The second, a horizontal movement, is from a financial background to a position in the financial oligarchy - movement through a series of occupations with the intention of establishing in their own persons the position their father occupied in the financial oligarchy. These two movements give rise to two main groups: "The mobile oligarchy" and "The birth oligarchy". At the same time, the "mobile financial oligarchy" can be divided into two groups: "The well-born mobile oligarchy" and "The social-climber mobile oligarchy". The "social-climber" moves from an occupational background out of the capitalist class or landowner class to a position in the financial oligarchy. And the "well-born" move from a capitalist (agricultural, commercial and industrial bourgeoisie) or landowner background to a position in the financial oligarchy.

THE "SOCIAL-CLIMBER" MOBILE FINANCIAL OLIGARCHY

The "social-climber" mobile financial oligarchy, 15% of the sample, is represented by men whose fathers were members of the "middle-classes"; small businessmen 5% and "white collar men 10%. None of them were sons of artisans, peasants or manual workers. As we can see, 80% of the Colombian population is deprived of the possibility of moving up into the financial oligarchy.

These men have to traverse a large social distance to reach the top, and what is more important, they have to go through the boundaries of the upper classes which implies the greatest social effort of moving up.

These are men who come the long way from birth into a family of meager circumstances, with little social prestige and less economic power. They are men who come from families with few or non-useful business and social connections. Generally, they have to make connections as they move up.

These men did not have the advantage of having kin who were members of prestigious clubs. Some of them had parents or kin members of certain clubs such as: local sports clubs, religious clubs or working clubs, but none of them were useful in making their future financial connections.

They are men who did not inherit a controlling position in a financial group. They usually do not have among their kin diplomats, big shareholders, important politicians, large landowners, etc. In general, they started their careers without influential friends or kin who could help them move up.

They are men with less formal education and long hours of night school, those who worked their way through college. Sixty-five per cent of them have done some sort of professional training which was relevant to their work. Forty-five per cent of them have taken university courses, most of them having graduated with a degree. Only fifteen per cent did not finish high school. The majority of them who have university qualifications have attended state universities or second class private universities because they were the only ones they could afford. Only a few have studied abroad. Attendance at a university outside of Colombia requires a large financial outlay. This kind of qualification is clearly only available to the wealthy unless they get an scholarship. And scholarships, specially to study abroad, are very difficult to obtain without good connections.

If we look at the way they financed their studies, we find that half of them got their money exclusively from their family; the existing scholarship system provided for the needs of 3 per cent of them; 22% had to finance themselves; another 25% had to work to supplement themselves. Thus 47% of them contributed to some extent by their own work to finance the expenses involved in their studies.

There are at least two kinds of "social-climbers". There are the powerful, resolute men with little education who climb from job to job and, by enormous expenditure of energy, and always with the feeling of inadequate training, reach the top; then there are the growing number of college trained men who compete with the first. Fewer and fewer of the "uneducated" acheive a position in the financial oligarchy; more often they remain as "white collar men". More often financial groups prefer to risk their money on college trained men. The increasing preference for college and professionally trained men for managerial advancement has put a ceiling on the aspirations of men with no further education. The need for college education can best be seen in the case of a "social-climber".

Jaime Cendales (the name is fictitious) was born in Bogotá and came from a "middle class" family. His father, a bank cashier, died when Jaime was in the last year of high school. Therefore, he could not finish high school (bachillerato) and he had to get a full-time job to help the family's finances. After a few years he saved some money and took evening courses at a commercial school. Starting as an auditor, he gained valuable experience with several companies, joining "Seguros Bolivar" several years later and finally becoming vice-president.

Cendales is impressed by his own success, by the number of big names he associates with in business and in the philanthropies he actively supports. But, in spite of this pride, he thinks wistfully about his lack of formal education. "If I had had college education I would be president of the company by now or at least vice-president of the financial group. I was crazy about school. I was simply heartbroken about not going to college. I did not go because of finances. I have been associated all my life with college men. I have always felt that it has been a personal loss to me that I did not go to college. It is contradictory, but I only engage as managers college graduates. I often feel the lack of education, particularly when I started my career. Even now I wonder if I am expressing myself properly; sometimes I can forget about it, and talk a lot; other times I just sit among a lot of degrees and listen. I still get butterflies in my stomach when I am to make a speech, but it seems I do better when I do not prepare them".

Cendales revealed that he has good relations with the people around him in his organization, but he feels a lack of security with those he considers his social and business superiors. He has channeled all of his training and efforts into the financial stream, becoming expert in this one field of business management and a valuable officer and board member of his company on matters of fiscal policy. But the intensity with which he has concentrated his efforts and the limitations on his cultural and social interests have, to a certain extent, cut him off from his new social group. He is very much of the age of the "briefing", of the digest, of the two paragraph memos. The reading he has to do, he often delegated to others, who clip and summarize for him. He is a talker and a listener rather than a reader or a writer. He picks up much of what he knows at the conference table and from friends in other fields.

The story of the "social-climbers" is the fulfillment of the capitalist dream. Shouldering out of their way the many competitors passed enroute, they are the reaffirmation of our society's great myth: "we can all get to the top", it said if we have the gust, the intelligence, the "whatever-it-is-that-it-takes". The idea itself became a powerful force in reconciling large numbers of people to the existence of class society. And as the figures show, the places at the top are not open to everyone, even to those with "what it takes".

The "social-climber" mobile men have moved over the longest social distance. They are identified by the fact that their present position in terms of prestige and income is far removed from the occupation of their father - the occupation into which they were born. The position they now hold is an example of the continual process of social movement that characterizes every phase of their lives.

Before all, these men are on the move. They left their homes, and all that this implies. They have left behind a standard of living, level of income, and style of life to adopt a way of living, in most cases, entirely different from that into which they were born. The mobile man first of all leaves the physical setting of his birth. This includes the house he lived in, the neighborhood he knew, and in many cases even the city and region in which he was born.

This physical departure is only a small part of the total process of leaving that this mobile man undergoes. He must leave behind people as well as places. The friends of earlier years must be left, for acquaintances of the lower-status past are incompatible with the successful present. He must to some degree leave his birth family along with friends, clubs and cliques of his family and of his youth, if they interfere with his mobility. For most of the "social-climbers" their families were not a consideration in their moves. Frequently they isolate them from their known upper class friends because they consider "they don't have the proper class for the high social circles".

I asked a "social-climber" if any of the men he worked with were close friends and he said: "who has any good friends? Maybe one or two, but if I left the present company I'd find new ones and the old ones would be forgotten. So would I. Oh, sure, I have plenty of friends. I could call any bank president in Bogotá and you'd have dinner with him because of my friendship with him. But it doesn't mean anything. I learned a long time ago not to form close attachments. It's easier to fire a guy when you are moved ahead of him. I think that's very important. Yet I'm friendly. I make a point of never hurting anyone unnecessarily."

When I asked him about his school friends, he said: "I don't have time to see my old friends when I go to Manizales. You know, when a fellow succeeds, a lot of people envy him".

In addition to these great departures,

this mobile man must leave behind his way of behaving, his sets of manners, and his attitudes toward other people of his early training. He must, in many cases, learn, and employ new ways, manners, and attitudes appropriate to his new position. He leaves his earlier circumstances for a different life style, as he moves from position to position. Often each position change means leaving a set of friends, meeting new persons, becoming involved with them, and in turn leaving that group for yet another with another positional move. Friends appropriate to the bank's cleaner have somehow less in common with its auditor, and the auditor's friends little chance to get together with the president of the bank. The auditor's friends, generally, live in a different neighborhood from that into which the president has moved. The cheap and small apartment in the "south" is left behind for a bigger and more expensive one in "El Campin", after which the children need to be taken to the "north" for the schools - because the place we have is too small or because everyone we must know lives in the "Reservado de los Lagartos" or in "El Chico". Each of these changes of houses and neighborhoods also brings with it many changes, from home furnishings to clubs, to vacation habits, to the children's schools.

This mobile man is that person who is able to initiate and sustain this complex, interwoven series of changes. He must learn, rapidly and thoroughly, the new behavior in each new situation. He must be able to make use of, or create, the opportunities to move to a new position. He must be able to leave his past behind as he moved into each new present. For that reason many people of their earlier social status refer to them as "oportunistas", "lobos", "arribistas" or simply "social-climbers".

The social mobility of the "social-climbers" is not a constant, smooth and uniform process. There is a time when he has to make the "big leap"; when he has to cross the boundaries of the upper class or remain in the middle levels. In one way or another he has to come into command of a strategic position which allows him to accumulate money, prestige and useful connections in order to go into the upper class. Once he has made this "big jump", his possibilities of becoming a member of the financial oligarchy will increase considerably. The more strategic his economic and social position, the greater and surer are his chances to reach the top. I found that most of the "social-climbers" established themselves in a "sponsor-protégé" relationship with highly placed men who provided a model for them and, more important, who gave them the opportunity to reach a strategic position so they could prepare themselves for the "big jump". Many of them, even later in life, are able to continue relating themselves easily to figures of authority - never too close because disattachment may be necessary, and never too far away when contiguity and closeness are necessary for advancement. How this relationship functions in the career of a "social-climber" is illustrated by one of them: "Right after I arrived on the job I met the boss. That made all the difference! From then on I was on the way up. He took an interest in me. The boss and I admired each other; I admired his intelligence, power and class and he admired my ambition and courage. It was a case of mutual respect."

"I moved up with the boss. He was vice-president of the bank when I became manager of one of the branches. Then with a few pesos I earned in this job - everybody does the same, managers always get commissions on loans - I decided to go on my own. I organized with four other fellows and "imports and exports" company. We almost went broke, but we worked like hell and after a while we caught on and in time expanded and took on new activities. We made money and began to develop a wonderful team of young men. Then my partners retired and I bought them out. All through the years I saw the boss. In fact, he gave us all the financial support."

"I promised the boss then that if ever there was a right time and a good opportunity I'd still be interested in the Bank. Well, my business went along and developed, but it was never big enough to carry out the dream I had. Finally, he got to be president and had complete charge of everything that went on at the Bank. He called me when he knew he was set for action. All he said was, "Camilo, I think it's time for you and me to get together! I said okay. I came in as a vice-president and special assistant to the boss."

"The board of directors accepted my appointment because I had shares in the bank and because I was supported by my boss's financial group."

"We started immediatly putting our ideas into action, and I had the opportunity to carry them out because the boss trusted me and had to give his attention to other matters. When the boss retired, the board made me president."

Another way of preparing themselves for the "big jump" was by marrying up. It replaced in some cases the lacking of influential family contacts and, in many ways, put them in the position of equal opportunities with the "well-born" financial oligarchy. Only fifteen per cent of the "social-climbers" married up and all of them were college graduates. Therefore education seems to have big effect on marriage between "social-climbers" and the upper class.

For the majority of the "social-climbers" the ambition of getting a better social status has been a great stimulus in the process of moving up. They always wanted to escape from their previous social status. They always wanted to catch up with . . . or to be better than . . .; to have a better status than his cousins, to prove to his neighbors he cán be "una persona descente" or "to catch up with his school friends", etc. How this social ambition functions in the career of a "social-climber" is illustrated by one of them:

Asked for childhood memories, he said: "It was just hard work, period. It was hard work on my wife's side too. That's why we appreciate money today."

"A kid I knew had the most of any of the fellows I played with. His father had a good position. He got a new suit all the time. That's what I used to admire him for."

"If it hadn't been for my mother I couldn't have gone to college. She helped, encouraged me to get an education. I worked three years after graduating from high school and made enough money to pay the first year of college. I was the only one of the four children to go to college. My mother's sister criticized her for allowing me to go to college at all. You know, all the time I worked those three years I did not spend any money at all, none at all; I gave it all to my mother."

"I don't know, though. I associated in high school with a group of folk who had more money than I. When we got out of high school I was the only one who did not go on to college, but I was determined to go, I was determined to catch up with them. So I set about working that out with my mother's help and encouragement. She did not let me lose sight of that. I worked three years after high school, and I worked all the time I went to college."

"Another reason I wanted to go to college was that I was determined to prove to my mother's family that I could be "somebody". He indicated at several points in the interview that his parents' relations with their families was a strained one. "There were always clashes between my father's side of the family and my mother's side because her people were considered "de mejor familia", and we were never considered part of the family because we didn't have "the class".

Another important characteristic of most of the "social-climbers" was their enormous concentration on their business careers. They showed up in the interviews to be devoting almost all of their energies to the forwarding of their business careers, the company they were with, and their position in the company. When these men described their community activities it was in terms of the "Camara de Comercio" (Chamber of Commerce), associations of manufacturers, bankers, or retailers, in general, groups and organizations that are an immediate extension of the business activities engaged in. As one said, "Hobbies? I guess my business is my hobby." Even in the choice of vacations business concerns predominate.

An expression of this came in the remark of one of them. "Anywhere I go I'm pretty close to my business. There's always a tendency to connect the locality with your business. You can't drive through Cali without thinking this or that town would be good for a branch."

This driving concentration on the business career is in a way necessary to mobility. The task of moving through the business hierarchy is a demanding one and requires intensive focusing of interests, energies and skills. But a contradiction appears, for this necessary concentration on business makes it difficult for some of them to develop the broader interests and activities necessary to participate with the kind of people they encounter as they move up in the business and social hierarchy. No doubt the many accusations of provincialism and boorishness directed toward the "social-climber" are to some extent a result of this problem. To be a "social-climber", in the derogatory sense in which it is used, means in part that energy and attention have not been given to becoming the more sophisticated and literate person his critics would have him be.

The "social-climber" confronts in the course of his career a dual task. He must achieve and maintain his occupational position in the business hierarchy, and he must establish himself and his family as accepted members of the status of "rulers" of the capitalist class. These two tasks are interdependent and occur as interwoven and interacting themes in the life of the business man. His occupationsl mobility provides him the income and some of the prestige on which his status depends, and also his status position can advance or impede his progress in the business hierarchy.

THE "WELL-BORN" MOBILE FINANCIAL OLIGARCHY

The "well-born" mobile financial oligarchy, 39 per cent of the sample, is represented by men whose fathers were members of the "upper class"; big commercial and industrial enterpreneurs (25%) and big landowners (14%). Although their families do not come from the "birth oligarchy", they have the great advantage of being born in the "upper class". The occupational and family background of these mobile men are very important in shaping their careers. The kind of education they receive, the kind of kinship and friendship connections they have, the kind of women they married, the kind of jobs they take, etc., all are affected directly or indirectly by the kind of family they come from.

The degree to which a family affects the career varies with the family's social position. Many of the "social-climbers" have rejected their families of birth and climbed up away from them. They have rejected that way of life which, far from helping them, would impede their progress or make it impossible. Men born to the "well-born" mobile oligarchy, on the other hand, have families who, for the most part, expect them to stay in high positions and reinforce their careers with social and economic power.

These mobile men start their careers with the advantage of having a very "well connected" family. On average, each of their families had close friendship ties with four members of the congress, two ministers, ten big business men and four important executives of foreign enterprises. Among their kin were to be found diplomats, big businessmen, large landowners, important politicians, army officers and members of the financial oligarchy.

All the advantages of being born in the upper class and the ambition of becoming the "rulers of society" make the "well-born" mobile oligarchy the group with more formal education. Eighty-five per cent of them had some sort of further education. Seventy-nine per cent had attended university. And sixty-eight per cent had studied abroad.

Though the majority of them had some sort of university qualification, they manipulated kinship and friendship ties to secure positions during the course of their careers. This can best be seen by looking at the career of a typical successful "well-born" mobile man.

Ignacio Copete (the name is fictitious)

was president of a very important commercial bank in Colombia "Banco de Bogotá". Copete was born in Manizales and came from a high status family. His grandfather was a large landowner and his father an engineer and a politician who worked for the government. Copete went to a prestigious school in Bogotá "El Gimnacio Moderno", and then to California University in the United States, where he studied oil engineering. As well as this he had taken numerous courses in accounting, sales and business administration in different colombian and foreign universities. Copete had the following jobs:

1934-1945	Oil engineering of "Mobil Oil de Colombia". He got this job through a recommendation from California University.
1945-1951	Assistant General Manager of "Mobil Oil de Colombia". An old friend of his was running an American organization at the time and so he got the job through him.
1951-1957	General Manager of "Raymon Concrete". He got this job through a recommendation from one of the members of "Mobil Oil de Colombia" board of directors.
1957-1958	Minister of Agriculture. He got this job through his good political connections - his father was one of the president's

best friends — and through his great knowledge and experience in colombian agriculture.

1958-1962	Vice-president of "Latin American Mobil Oil" in New York.
1962 . . .	President of "Banco de Bogotá" and "Grupo Bogotá".

Copete belonged to three of the most prestigious clubs in Colombia: "The Country Club", "The Jokey Club" and "Club de Ejecutivos" to which most business-men belonged.

Influential connections and educational requirements such as: degrees from colombian universities and professional courses of further education, are monopolized by high status groups. Clearly high status makes it easier to make good connections through exclusive schooling, membership to prestigious clubs, kin ties, etc. But the importance attached to training and qualification also gives an advantage to the potential mobile men from high status backgrounds. Attendance at a university outside of Colombia requires a large financial outlay. This kind of qualification is clearly only available to the wealthy. It is very prestigious, however, and similar colombian courses were considered by many poor in comparison to the North American degree for instance. The most valued form of qualification in the industrial and financial sectors then was only available to high status groups..

Colombian educational opportunity is affected by social stratification. Approximately 37 per cent of Colombians 15 years of age and older are illiterate (1). Five per cent of those over school age have completed secondary and less than one per cent higher education (2). In 1962, with a population of 15.000.000 people, Colombia had the following student population:

1.791.813	students	in	primary school
160.880	"	"	secondary school
30.416	"	"	university
2.495	"		graduating from university (3)

And it has been estimated that only 14 per cent of the high school student and 7 per cent of the university students in Colombia are of working class origins (4). When one considers that workers, peasants and low-level service workers make up about 80 per cent of the colombian population, the proportion that benefits from higher education seems extremely small.

In Colombia success at school is still very closely related to the social and economic status of the parents. In Bogotá in 1962, out of every one hundred children entering school from the "upper class", seventy-two passed in secondary school. Out of every one hundred from the "middle class", the number entering secondary school was thirty-two and from the lower class, fourteen (5).

It is true that primary education is free and that tuition fees at Colombian State Universities are small. But many families simply can not afford the cost of foregoing income from the student in addition to the expenditure of school and university supplies which becomes too big a burden over the years. Moreover university courses are lengthy which means that a student embarking on one has to find the resources to support himself for three to six years. Engineering courses, for example, are mostly six years, though to qualify as a technician is only three. Qualification in accounting and commercial expertise require five years. For a degree in Economics and Finance, four years is the minimum period of study.

Thus, like the degree from a foreign university, colombian further education courses which were highly valued in a mobile man's career were in general the prerogative of high status groups.

THE "BIRTH" FINANCIAL OLIGARCHY

The "birth" financial oligarchy, 46 per cent of the sample, are at the other extreme, for they are the inheritors who retain the position their father holds before them. Their careers do not fit the ever-fascinating drama of hard-won success Colombians stage for themselves. Indeed their lives, by virtue of the seeming ease of succession to high position, are in every sense a denial of the "capitalist dream" and the refutation of its principles of equal opportunity. The background of these men make their careers less trying, less difficult, than the career task of the "social-climber" and "well-born" mobile men.

The "birth" oligarchy tended to start their careers with families better connected than the rest of the group. On average, each of their families had close friendship ties with 6 members of the congress, three ministers, ten big businessmen, six executives of foreign enterprises and one ex-president's family.

In addition to all the advantages, they have for having an upper class background - wealthy families, good connections, great educational opportunities, etc.,- they also have the enormous advantage of having families who are big shareholders in financial groups. Therefore the majority of them start their careers knowing what their business positions will be.

The "birth" oligarchy has more formal education than the "social-climbers" but less than the "well-born" mobile men. Eighty per cent of them had some sort of further education. Sixty-nine per cent had attended university. And sixty-three per cent had studied abroad. Although they are confronted with the task of occupational mobility - they must compete successfully with the rest of the group and must move from one position to another before succeding to their father's position - to be successful, these men need less formal education than the rest of the group because they can replace educational requirements more easily for shares and connections.

Their class privileges can be seen in the case of one of them:

Ricardo Pombo (the name is fictitious) was president of "El Grupo Grancolombiano" a very important financial group, and General Manager of "Banco de Colombia", one of the biggest banks in Colombia.

Pombo was born in Bogotá (Colombia) and came from a high status family. His family have been one of the biggest shareholders of the "Banco de Colombia" and "Bavaria". Among his kin were to be found, diplomats, big businessmen, landowners and two ex-presidents of Colombia. Pombo went to a prestigious school in Bogotá, "Colegio de los Hermanos Maristas" and then to the University "El Rosario" where he studied law and economics.

Pombo had the following jobs:

1948-1953	Accountant of "Pavimentadora El Recuerdo"
	General Secretary of "J. L. Bonnet y Cia S. A.
	Assistant Manager of "Urbanizadora El Ejido"

1953-1959	General Secretary of "La Nacional de Seguros"
1959-1969	President of all the companies members of the "Grupo Andino"
1969 . . .	President of "El Grupo Grancolombiano" and "Banco de Colombia" Professor of Colombian Economics at "La Javeriana and "El Rosario" universities.

Pombo was member of the following boards of directors: "Funicular a Monserrate S. A.", "Inversiones Bogotá", "La Javeriana University" and "Los Andes University".

Pombo belonged to three prestigious clubs in Bogotá: "Jockey Club", "Gun Club" and "Club El Rincon".

When I asked about his family support, he replied: "The family name did't hurt. In fact it helped a lot in my career. After all, my family is a strong shareholder in this group. But I know if I had not possessed ability I would never have been allowed to reach any position of importance in this bank. You know! my family is not the only big shareholder in this "Financial Group". Besides the bank can't afford to be run by someone who is not competant. Perhaps I shouldn't say this. I know it's immodest, but to make my point — one of my cousins tried to do much what I've done. He just didn't have it. Maybe because he didn't have the right qualifications or simply because he didn't have the ability to get my position."

The "birth" oligarchy and the "well-born" mobile oligarchy eyes the "social-climbers" and thinks of them as too-conscious, as having made money and as grabbing for more, but as not having acquired the social background or the style of cultured life befitting their financial rank.

When the "social-climber" come up against the prestige of the "birth" oligarchy and the "well-born" mobile oligarchy on business and political issues, they often translate that prestige into "old age", which is associated in their minds with the quiet, "old-fashioned" manner, and the dragging political views of the old upper class. They feel that the old upper class people do not use their prestige to make money in their manner. They see old social prestige mainly in its political and economic relevance: when they do not have it, it is something standing in their way.

These differences need not be pushed too far. Successful "social-climbers" are easily assimilated into the old upper class, both in their style of life and in their outlook. Some may retain a lingering sense of their antecedents, but this is unlikely to be of great consequence, socially or ideologically. Wealth, in this restricted sense at least, is the great leveller. "Social-climbers" in Colombia have been able to supplement capitalist cash with upper-cachet. But wealth is also a great leveller in ideological and political terms.

NOTES

1) See: United States Department of Labor, Bureau of Labor Statistics, Labor Law and Practice in Colombia, Washington, D. C., 1962, pg. 48.

2) Ibid, pg. 6.

3) Camacho Leiva Ernesto, Quick Colombian Facts, fifth edition, Instituto Colombiano de Opinion Publica, Bogotá, D. E., Colombia, 1965, pg. 48.

4) Ibid.

5) Anuario de Estadistica, Bogotá, 1962, pp. 232-298.

CHAPTER VI: CONCLUSIONS

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If the power to decide national issues were shared in an absolutely equal way, there would be no powerful financial oligarchy; in fact, there would be no gradation of power, but only a radical homogeneity. At the opposite extreme, if the power to decide issues were absolutely monopolized by one small group, there would be no gradation of power; there would simply be this small group in command, and below it the undifferentiated, dominated masses. Colombian society today represents neither the one nor the other of these extremes. Although the upper classes in Colombia control the majority of the means of production and political power, the capitalist class as a whole (and within it the financial oligarchy) has more control. Therefore there is a gradation of power. The advent of finance capital has created an oligarchy within the capitalist class itself. The top groupings of finance capital have constituted collectively the top stratum of the capitalist class, and in effect, decide policy, acting not simply with a view of their own particular interests but from their conception of the interests of their class as a whole. The political rule of the finance capital is not a matter of absolute power. It is a matter of pursuing class interests in conditions of class struggle on a national and international scale.

Financial capital is controlled by financial groups, which are composed of a linkage of banks, insurance companies, financial corporations, savings and loan corporations, warehouses, investment trusts, development funds, the central bank and great commercial and industrial enterprises. This linkage is affected by a small number of individuals: top shareholders, chairmen of the boards, presidents, vice presidents, and others, who comprise top management. They may thus be said to preside over a combination of functions and thereby acquire a good measure of control over a slice of capitalism's sphere of operations.

It is clear that the fundamental notion of the separation of ownership and control in Colombian financial oligarchy is not true. There is a close connection between the owners and the managers of the financial capital. In several respects, in the first place, the managers are very often owners, in the sense that they have substantial shareholding in their companies; and although shareholdings may be quite widely dispersed this only makes it easier for a small number of large shareholders to control the policies of the financial group. Secondly, even when managers are not important shareholders in their own groups, they are usually quite wealthy men; as C. Wright Mills points out in "The Power Elite" (p. 119), "The chief executive and the very rich are not two distinct, and clearly segregated, groups. They are both very much mixed up in the corporate world of property and privilege . . ." Thirdly, they are mutually interested in high profits and profitable expansion.

They all find an objective standard in profits and their relation to the capital employed. Success in making profit and, on the basis of this profit, maintaining and expanding one's share of the market in order to increase profit - this is the driving force of the financial group, its owners and controllers. Failure is measured by being swallowed up or going bankrupt. Fourthly, as we have seen, the recruitment of managers and shareholders is predominantly from the upper strata of society. It is evident, then, that these factors destroy the notion of the top managers having become in any real sense isolated from the top shareholder, or of their being motivated principally by prestige, power or any of the other catch-words, and so becoming somehow arbitrary in their judgements.

By studying the backgrounds and careers of the financial oligarchy, it was possible to see the social movement and life chances in this important area of our society. To the extent that the majority of the men who direct Colombian financial groups are the sons of the upper class, our social system may be said to be closed, for that extent the higher positions in our financial system are available almost exclusively to those whose families have power and prestige. It is easy to see that even the upward mobile man of today, born in a low position, who possesses the necessary pluck, "will-to-do", and ability to accumulate, can not, in most cases, work his way into a top position of financial capital.

The infusion of new blood into the financial oligarchy may present a competitive threat to individuals who are already there, but this is no threat to the system itself. Even a far more "meritocratic" way to the top, grafted to the existing economic system, would only ensure that a large number of people of not upper-class origin would occupy the top rungs of the "existing system". This may be desirable, but it would not cause its transformation into a "different system". The ability of the existing top financial groups in Colombia to absorb (and so to contain) "new men at the top" is a striking sign of the flexibility of finance capital. Again the common class interest asserts itself. Marx himself pointed out that,

> The more a ruling class is able to assimilate the foremost minds of a ruled class, the more stable and dangerous becomes its rule. (Capital, Vol. 3, Ch.36 pg. 47.)

Although, as we saw, members of the financial oligarchy are often divided over a multitude of specific policies and issues, in general, they are socially cohesive. For what divisions there may have existed among them about private property, practicable profit, economic development, foreign investment, trade unions, etc., occurred inside a field of conservative options, and severely excluded any other. There may have been some differences among the members of the financial oligarchy who wished for rapid democratization, but history does not record a massive degree of pressure on the part of any segment of the Colombian financial oligarchy on behalf of the nationalization of wealth, for a radical extension of social benefits, or for an extension of trade union rights.

Specific differences among the financial oligarchy, however genuine they may be in a variety of ways, are safely contained within a particular ideological spectrum, and do not preclude a basic political consensus in regard to the crucial issues of economic and political life. One obvious manifestation of this fact is the support which the financial oligarchy accord to the "Frente Nacional" - liberal and conservative party alliance. Different segments of the financial oligarchy may support either the liberal or the conservative party; but they do not tend to support anti-Frente nacional ones.

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