



WHAT THE RICH DON'T TELL THE POOR

Conversations with Guatemalan Oligarchs

ROMAN KRZNARIC

'An important book that fills a big void in progressive thinking about elites, privilege and power' **Professor Duncan Green, London School of Economics**

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Don't Tell The Poor

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BLACKBIRD COLLECTIVE

*If we want things to stay as they are,
things will have to change.*

Giuseppe di Lampedusa, The Leopard

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Preface

Back in 1913, an exasperated Woodrow Wilson declared that ‘the government of the United States is the foster child of special interests...the big bankers, the big manufacturers, the big masters of commerce.’ His words still resonate today as economic elites worldwide continue to use their influence to maintain power and privilege and to concentrate wealth in their own hands. Such continuities are the subject of this book, which reveals the inner workings of Guatemala’s economic elite or ‘oligarchy’.

The book itself has an unusual publication history. The research on which it is based mainly took place between 1996 and 2002 as part of my doctoral thesis, and the final book manuscript was completed in 2006. Due to a difference of opinion with the publisher over the storytelling style I had adopted, we parted ways without it ever being published. As I found myself drawn into new intellectual projects, I ended up putting the manuscript away in the bottom drawer of my filing cabinet, where it lay dormant for many years.

I have now finally decided to publish the book in its original 2006 version, recognising that exploring oligarchic power through a national case study at a particular moment in time can help illuminate how it functions as a global phenomenon today. One result is that the analysis is outdated by more than a decade. The Guatemala of the present is certainly different from the one I encountered when engaged in my research. The economic and political impacts of the drugs trade have escalated, gang violence has grown, new political struggles have emerged around mining, environmental issues and corruption scandals, and there have been important developments in migration flows to the US and in Guatemala’s role in the global economy.

At the same time, the continuities are just as noticeable. The main business association that features in this book, CACIF, has maintained its influence despite the passing of the years. Many of the

business people and political figures I interviewed have remained prominent in public life, while the extreme wealth inequalities and racism that pervade Guatemalan society are still all too present.

None of this should be surprising: the great skill of Guatemala's oligarchs – like economic elites the world over – has been to preserve privilege in the face of change. In our age of rapid technological innovation, geopolitical instability and growing ecological crisis, it is worth keeping our attention on what stays the same, for it is revealing of where the real power lies.

Oxford, January 2022

I. Introduction:

Conversations with the Oligarchs

What We Don't Know About the Rich

One of the most striking aspects of the global economy in the twenty-first century is the increasing concentration of wealth in the hands of a tiny elite. As the number of billionaires continues to escalate and the 1% become ever more dominant both economically and politically, the great mass of people are left further and further behind. This phenomenon is visible in both the countries of the Global North and emerging economies worldwide.

And it raises a question: how much do we really know about this wealthy economic elite? Few of us can explain exactly how their power works in practice. As they play a gentle round of golf, what does a businessman say to a senator to help secure that lucrative government contract? We know even less about the rich as individual people, about their inner thoughts and feelings, their beliefs and motives, their families and personal relationships. Who are they below the surface of a superficial television interview or a bland quote in *The Wall Street Journal*? It is astonishing that we are so uninformed about some of the world's most powerful people.

This book attempts to discover the rich and bring them out of hiding. It resounds with their voices as they talk about their own lives in their own words. You will learn what goes on inside their heads. You will find out how they preserve their wealth and privileges and hear how they justify their actions – both to others and to themselves. You will also glimpse their weaknesses, divisions and fears.

If we want to bring about social change, we must understand the rich as well as we understand ourselves.

The People You Will Meet

This book is about the rich elite in a country renowned for having one of the most highly unified, economically dominant and politically powerful groups of wealthy individuals in the world: Guatemala. The ruling caste in Guatemala is comprised of twenty to fifty families of European descent. They own around 70% of the land, control important economic sectors such as sugar cane, coffee and poultry, and frequently employ corrupt and brutal practices to protect their interests. They use their private contacts and business associations to exercise an effective veto over government policy initiatives that encroach on their privileges. Their wealth, power and lifestyles contrast starkly with the majority. More than half of the country's inhabitants survive on less than \$2 a day and indigenous Mayans – around 50% of the population – have been subject to racism, subjugation and violence for centuries. The economic elite sit at the top of one of the most unequal wealth distributions in the world.¹ Their power remained intact through four decades of military rule – from 1954 until the mid-1980s – and a thirty-six-year civil war that ended in 1996. In Guatemala they are often referred to as the 'oligarchy', an ancient Greek term meaning 'the ruling few'.

Over a period of seven years, I had conversations with Guatemala's oligarchs to try to understand how their power operates and how they view the world. Talking with them provided insights into how the rich – wherever they are – think about themselves and society, and are able to maintain their economic and political privileges. This is because the Guatemalan rich have so much in common with wealthy oligarchs in other countries, both in the North and South: they have strong political connections, dominate significant economic sectors, make international busi-

ness deals, violate labour rights, send their children to private schools and universities, marry each other, have servants, relax with each other in country clubs, travel in private planes and helicopters, and live in gated communities isolated from the poor. Focusing the microscope on the Guatemalan elite is a step towards understanding the global rich.

What kind of people will you meet in this book? Let me introduce you to one of them. Or rather, let him introduce himself.



Businessman Manuel Ayau Cordón passed me this business card as we sat in his wood-panelled office in Guatemala City. He jokingly explained that a foreign diplomat recently accused him in public of being an 'arch typical far-right Latin libertarian oligarch'. Just for fun, he said, he had some business cards printed displaying this title. We both laughed, probably for different reasons. And then, in all seriousness, he told me, 'I am leader of what they would call the ideological right'.

If you wanted to be a Guatemalan oligarch, you could model yourself on Manuel Ayau Cordón. He is polite and friendly. He is a

member of a distinguished aristocratic family. His wealth derives from a broad range of business interests, which have included cotton and rice plantations, oil and ceramics production, port construction, and hydroelectricity. He was a founder of the Chamber of Industry, one of the main business associations uniting the economic elite, and a founder of the private neoliberal Francisco Marroquín University, of which he eventually became Rector Emeritus. During Guatemala's civil war, which lasted from the early 1960s to the mid-1990s, he was a virulent supporter of the military's brutal counterinsurgency campaign and made trips to lobby the Reagan administration to restore US aid for Guatemala's armed forces. He believes it is legitimate for the police and plantation owners to defend private property by using physical violence against landless *campesinos* – peasant farmers – protesting for access to land. He favours public executions for those involved in the kidnapping of businesspeople. He has a dogmatic faith in the free market, which he has expounded through his controversial right-wing newspaper columns. He has a gun in the drawer of his desk.

People like Manuel Ayau Córdón will be your travelling companions and guides on this journey into the rule of the oligarchy in Guatemala. Their stories will help reveal who the oligarchs really are, how they think and what they do. It is an opportunity to enter their community, discover their passions and learn about their obsessions. But why bother to understand the rich in a small Latin American country such as Guatemala? Because, as I will explain below, their power goes largely unnoticed, they are stifling democratic reforms, and they are occupying the centre stage of politics for the first time in decades.

Slow News

Guatemala's most famous citizen is Rigoberta Menchú, winner of the Nobel Peace Prize in 1992. She was initially known for her role in peasant organisations that challenged the military dictatorship and

for her memoir, *I, Rigoberta Menchú*, that recounted the horrific violence experienced by her family and other indigenous Mayans during the military operations of the late 1970s and early 1980s. She has also been in the press due to allegations that she exaggerated or falsified parts of her story, especially the suffering of her family members in the armed conflict.³

Partly due to the interest in Guatemala generated by Rigoberta Menchú, scholars, journalists and others have produced dozens of books and articles on the armed conflict, particularly the role of the military in human rights violations against indigenous Mayans. In this outpouring of analyses, Guatemala's oligarchs have been largely ignored. They appear as a footnote in the country's recent history despite having maintained their economic and political dominance throughout this turbulent period and provided crucial support to the armed forces in the war. It is as if the power of the oligarchy is so entrenched that nobody notices it anymore. Their behind-the-scenes influence, decade after decade, has become what the journalist John Pilger calls 'slow news,' lacking the immediacy to reach the front page. This book attempts to reveal Guatemala's slow news, so that influential businessman like Manuel Ayau Córdón become as well-known as Rigoberta Menchú.

A World Bank report on 'Poverty in Guatemala' typifies the way that the oligarchy are overlooked. The poor are scrutinised with excessive zeal, to the extent that we are presented with data on the minutiae of their lives, such as how much ice cream and marmalade they eat on average each day. But in over 200 pages of dense analysis, the only relevant mention of the oligarchy is a passing acknowledgement that 'economic and political resources remain concentrated among the economic elite of predominantly European descent'.⁴ Where is the detailed analysis of how the oligarchy's control of resources perpetuates poverty?⁵

Guatemala is not the only Latin American country with a long-established economic elite. In Brazil, for example, large landowners in the north-east use their informal ties to state officials and politicians, as well as violence, to ensure their domination of the land.⁶

Colombia's President, Harvard-educated Álvaro Uribe Vélez, has not only been linked to the Medellín drug cartel, but is from one of the country's most conservative landowning families and inherited huge cattle ranches.⁷ El Salvador's Nationalist Republican Alliance (ARENA), has been the political party of the traditional oligarchy – the so-called 'fourteen families' – since its foundation in 1981.⁸ Yet surprisingly little is known about precisely how these elites remain wealthy and powerful, and contribute to the mass poverty that keeps 56 million Latin Americans living on under \$1 a day.⁹ The oligarchs' domination is slow news throughout the continent.

Benign Democrats?

Is this the first book ever written on the Guatemalan oligarchy? Not at all. Since the 1960s, scholars have published critical accounts of the oligarchy's power. One of the best known is by a renegade member of an elite family who became a radical sociologist. It demonstrates that Guatemala has an oligarchy of around 22 family networks that have been economically and politically dominant for over three hundred years, and racist against the indigenous population.¹⁰ Another book identifies 50 families at the core of the economic elite and argues that they have consistently manipulated the political system for their own benefit.¹¹ Unfortunately these analyses only cover the years up until the 1980s in any detail. The voices of the oligarchs themselves are absent, leaving their inner thoughts and feelings unknown.

The most recent major study of the oligarchs, published in 1999, portrays them far more favourably than these earlier books. It suggests that important changes have taken place in the oligarchy since the 1980s.¹² Landowners began losing influence to business leaders with more urban pursuits in commerce, finance and industry, and this latter group of relatively young 'reformers' were more sympathetic to 'democratic forms of governance'. They supported the shift to elected civilian government, united with leftist organi-

sations in 1993 to oppose an attempt by President Serrano to create a dictatorship, and backed the peace negotiations. This is all supposedly evidence that the oligarchs are becoming democrats. The analysis is consistent with mainstream scholars who portray Latin America's business elites in a positive light as supporters of 'democratisation' in the region since the late 1970s and important catalysts for economic growth.¹³

In contrast, my conversations with members of the oligarchy have led me to a very different conclusion. This book demonstrates that although Guatemala's oligarchs may appear somewhat more 'reformist' on the surface, their transformation is largely illusory: they have remained united in opposition to any fundamental challenges to their economic privileges, particularly their control of private property; they continue to use corrupt and illegal methods to retain wealth and power; and they maintain their dominant political and economic position despite changes such as the advent of civilian elections after 1985 and the peace process of the 1990s. The oligarchs are chameleons, changing their outward appearance to suit a new political context.

The Oligarchy in Power

Throughout most of the twentieth century, Guatemala's oligarchs exercised their power without attracting significant public attention. Rather than creating political parties and occupying the presidency, they generally used personal connections and influence to prevent legislation, such as land reform or tax increases, that would damage their interests. This all changed in 1996. The new administration of President Alvaro Arzú was comprised of many business leaders, including former Presidents of the oligarchy's main business association, the Coordinating Committee of Agricultural, Commercial, Industrial and Financial Organisations (CACIF). Like many members of his National Advancement Party (PAN), Arzú was from an old wealthy family. The oligarchs were out of power from

2000 to 2003, then re-emerged in the government of Oscar Berger and his National Grand Alliance (GAN) party. He, like Arzú, was a prominent businessman and member of an elite family. His cabinet represents some of the richest families in Guatemala.

Since the mid-1990s, Guatemala's oligarchs have come to the forefront of politics, something they have not done since the nineteenth century. This change is of enormous political significance. While the military remains an extremely influential political force, there are no longer any excuses to ignore the oligarchy. Their thinking and actions are shaping millions of lives as the country attempts to recover from civil war and face new challenges such as integration into a free trade area with the United States and Mexico and increased influence by multinational corporations under World Trade Organisation rules and regulations. The political strategies of the Guatemalan elite are a test case of whether Latin America's oligarchs can survive and thrive in a globalised world.

Voices of the Rich

Although I use the term 'oligarchy' to refer to Guatemala's wealthy economic elite of interconnected families, I do not intend to depict them as a faceless class. Rather, members of the oligarchy are individual human beings whose personal lives, passions and emotions drive them just as much as their desire for wealth and power. To learn about who they are, we must listen to their voices.

Some consider this to be heresy. Many activists and analysts argue that if we want to understand exploitation and oppression then we should give a voice to the poor and powerless, and deny voices from dominant groups in society because their accounts of the past are 'misrepresentations' or 'falsifying accounts of reality'.¹⁴ While I believe we should hear stories like those of Rigoberta Menchú, speaking with oligarchs such as Manuel Ayau Cordón is also essential for comprehending exploitation and oppression in Guatemala. Given their political, economic and social prominence,

how could we possibly disregard what they have to say? If we want to understand what they do, we must understand how they think.

This book grew out of my doctoral thesis, which was based on some thirty interviews with the oligarchs recorded with their consent between 1996 and 2002 (see Appendix A).¹⁵ The research was supplemented with numerous off-the-record discussions and informal conversations. Seven of the recorded interviews were with women, and five with young businesspeople in their 20s or 30s. Of the men, all but four had been leaders of Guatemala's major business associations, covering the range of urban and rural economic sectors. Almost all the interviewees were members of oligarchic families identified by other scholars, were closely related to them, or had participated in business with them. When I quote the oligarchs, I usually use their real names, but in some cases, to protect my informants, I have made the quotes anonymous and sometimes changed the gender of the speaker.¹⁶

I also spent time observing the lives of the oligarchs, mainly at their homes, *fincas* (plantations), and places of leisure such as hotels. Additionally, I interviewed around 30 other people, such as former guerrilla combatants, military officers, government and United Nations officials, human rights activists, peasant and indigenous leaders, trade unionists, academics and journalists. Although I do not present their testimony here, some of their perspectives on the oligarchy have strongly influenced my own thinking.

It was not easy to gain access to the oligarchs. None of my friends had personal contact with business leaders. I eventually obtained the phone numbers of six business association presidents through a contact at the British Embassy. After dozens of phone calls and cancelled meetings, I managed to meet three of them.

My subsequent trips to Guatemala were based on more experience and occurred in a period of greater political openness. I now wore a suit and tie, carried an elaborate letter of introduction from a foreign university, and passed out my own business cards. I made my phone calls with much greater confidence and authority, which eased my passage past gatekeeper secretaries. I also took advan-

tage of the nature of economic elites: everybody knows each other, so once I had established trust with one interviewee it became easier to access another. A few even invited me to their homes to meet their families or took me on visits to their *fincas* in the countryside.

The oligarchs were not always open with me and some hid behind public relations rhetoric – although they may have come to believe aspects of this rhetoric themselves. I used various interviewing techniques to elicit testimony that went beyond the shallow and insincere statements made in newspapers or official documents. I was courteous rather than confrontational, which helped to create an atmosphere that felt relaxed, unthreatening and conversational. I found that individuals who saw themselves on the periphery of the oligarchic community – for reasons ranging from personal and educational experience to lifestyle, ideology and age – were particularly open and willing to speak about sensitive subjects such as business relations with the military, the kidnapping of their son, or how CACIF's influence operates in practice. These people were often those most critical of oligarchic actions, even their own.

Structure of the Book

Chapter 1 is a brief overview of Guatemalan history for the general reader, from the Spanish conquest to the present, including details of the current economic and social context. Chapter 2 is where I first present the voices of the oligarchs themselves and describes the main characteristics of the oligarchy: their family networks, economic interests, business associations and community life. In Chapter 3 I examine their responsibility for violence in the civil war. Chapter 4 focuses on how the oligarchs think about land, especially why they are totally opposed to the expropriation of agricultural property and its redistribution to landless *campesinos*. Chapter 5 expands on this, demonstrating how the oligarchs blocked an attempted agrarian reform in the mid-1990s during the peace

negotiations to end the civil war; it is a detailed exposé of how their political influence operates in reality. Chapter 6 concerns the oligarchy's response to violent crime since the end of the war, especially the kidnapping for ransom of businessmen and their family members. Chapter 7 focuses on the contemporary economy, showing how the oligarchs perpetuate poverty and inequality in Guatemala and asking whether they will survive the growing economic influence of the military and multinational corporations. Chapter 8 looks to the future, providing practical suggestions on how to bring about greater mutual understanding and equality between the oligarchy and other social sectors.

The historian Theodore Zeldin has written how the inventor of the travel guide, a nineteenth-century German named Karl Baedeker, encouraged generations of travellers to visit the ancient monuments and museums of foreign lands, to look at places rather than people. Travel was reduced to a matter of sightseeing.¹⁷ More recently, travel guides have convinced us that adventurous travel is to climb volcanoes and visit the best beaches. In contrast, I feel that travel should be about discovering the inhabitants of a country by speaking with them about their lives. This book is an account of my conversational travels in Guatemala. I will introduce you to some of the people I met, so you can hear for yourself what the rich don't tell the poor.

Notes

1. The majority of these economic data appear in World Bank (2003) and United Nations Systems in Guatemala (2005), and are fully documented in Chapter 1. The scholarly literature on Guatemala's oligarchic family networks is discussed in Chapter 2.
2. This information is primarily based on a personal interview on 19th February, 2002 in Guatemala City. The political and economic activities of Manuel Ayau Córdón during the armed conflict are noted in 'Empresarios y la violencia, 1954-1996,' a background report prepared for the Proyecto Interdiocesano de Recuperación de la Memoria

Histórica - REMHI (see Oficina de Derechos Humanos del Arzobispado de Guatemala – ODHA, undated, Chapter 3 p.75, Chapter 5 footnote 41). Further information on Manuel Ayau can be found in Snee (1974, 231), Draiman (1981), Casaus Arzú (1992, Annexes 4 and 5), Nairn (1989) and Inforpress Centroamericana 18/8/6.

3. See, for example, the essays in Arias (2001).
4. World Bank 2003, 32.
5. World Bank 2003, Annex 3, page 7.
6. Hagopian 1996; Payne 2000.
7. National Security Archive, www.gwu.edu/~nsarchiv/NSAEBB131/;
Colombia Journal Online, www.colombiajournal.org/Colombia185.htm.
8. Paige 1998, 35.
9. United Nations Development Programme 2004, 129. 133.
10. Casaus Arzú 1992, 27, 193, 293.
11. Dosal 1995, 5.
12. McCleary 1999, 3, 13-14, 24-25, 57-58, 189.
13. Burton, Gunther and Higley 1992, 30; Diamond 1999, 66. For critiques see Foweraker and Krznaric (2002, 44-46), Bartell and Payne (1995, 266, 272-273) and O'Donnell (1997, 51).
14. Gugelburger and Kearney 1991, 4,7.
15. For a detailed discussion of the conceptual and theoretical underpinnings of my research on Guatemala's oligarchy, including ethnographic methodology and theories of change and power, see Krznaric (2003). Some material in this book also draws on later research in Krznaric (2006).
16. In the few cases where the subject asked to remain anonymous I have fully respected their wishes.
17. Zeldin 1984, 7.