Britain's Sunday Times records spectacular increase in wealth

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Britain's Rich List, compiled annually by the *Sunday Times* newspaper, has recorded an increase since last year of almost £31 billion in the collective wealth of the top 1,000 wealthiest people in Britain. The newspaper reports that the rise is the highest surge since it began compiling the list 12 years ago. The top 1,000's collective wealth has increased by 27 percent to almost £146 billion.

The threshold for entry to the rich list is £30 million. The *Sunday Times* compiles its list based on its estimate of the minimum wealth of Britain's 1,000 richest people or families as of the beginning of January. It measures all identifiable wealth—land, property, racehorses, art or significant shares in publicly quoted companies—but excludes bank accounts and small shareholdings in a private equity portfolio. Internet companies do not make it onto the list until they are registered on the stock market or have documentary evidence of their worth.

The world's wealthiest people are to be found in America. Some 27 of the richest 50 people internationally are American. Many of these are in the "new economy" sectors—computers, telecoms, Internet and software—typified by Bill Gates, who leads the list with a personal fortune of £53 billion. Six of the 10 richest people in the world are from America, and of these, five are in "new economy" sectors.

Europe's richest are still dominated by the "old economy"—cars, pharmaceuticals and retailing—led by Germany, with 25 of the richest 50. Only five of the top 50 are in software, mobile phones or the Internet. The *Sunday Times* complains that "this may explain why much of Europe—with the notable exception of Britain—has had such a poor record of job creation in recent years".

Britain's relative success against its continental rivals in the "new economy", however, has not produced a single British billionaire in the world's top 50, and only five in Europe's top 50. This is despite the fact that the soaring share prices and the rise of so-called "dot-com" millionaires has fuelled the staggering increase in the collective wealth of Britain's richest. Taking £5 million as the baseline for real wealth today, there are now at least 2,000 dot-com or new economy millionaires in Britain. Two years ago it was just 20. The *Sunday Times* estimates that 10 new millionaires are being created each week, with fortunes of £20 million or more. When it began compiling the list in 1989 there were just nine billionaires in Britain, now there are 26. The trend is even more marked in Ireland, where the collective wealth of the top 100 people has risen even higher—by 31 percent this year—to almost £12.3 billion.

Hans Rausing, the British-based Swedish industrialist, whose £4 billion fortune derives from packaging, leads Britain's Rich List. However, the number of Internet millionaires has risen from 10 last year to 66 and many of these are young. "The rise of the dot-com economy is leading to a raft of super-rich twenty-somethings", the newspaper reports. Seventeen of its list of 100 top millionaires aged 30 and under have fortunes of £30 million or more, and 50 made their money in the "new-economy sector, including the Internet, computers, software and mobile phones". The paper cites the case of Tom Hadfield, 17, who together with his father (a former *Sunday Times* journalist) has created a £25 million-plus business called Schoolsnet, which aims to provide detailed information about every school in the country. Hadfield junior is now worth about £7 million.

The *Sunday Times* comments that "flotation of an Internet company seems to be a passport to instant riches". In April last year, Terry Plummer and Wayne Lochner floated their company, Affinity Internet, on the stock market with stakes worth just £4 million apiece. Now they have entered the top 1,000 of Britain's wealthiest, with an estimated fortune of £294 million each.

Britain's richest are getting wealthier quicker. The *Times* comments, "never before have so many millions been made so fast by people so young". It cites share trading in the shopping and holiday web site, lastminute.com. In advance of the company's flotation last Tuesday, share prices trebled, so that it finally quoted at £1 billion. The paper notes that the new rich are far more eager to boast of their wealth, and that its offices were inundated with documentary evidence of accounts, share quotations, etc.

This technological revolution was highlighted last week when nine high-tech companies entered the stock markets Ftse 100 (the top 100 companies by stock market value), displacing “old economy” groups such as Whitbread, Imperial Tobacco and Associated British Foods.

The rise in stocks has also led to increased bonuses for those in the City. The *Times* reports that the number of millionaire earners—those with £1 million a year pay packets—has risen from about 750 five years ago to 3,300 today, according to the Inland Revenue.

The Rich List also records the continued displacement of inherited wealth, now the lowest proportion recorded by the *Times*. Some 258 of the 1,000 inherited their millions, compared to more than two-thirds in 1989. However, claims that this is leading to a more egalitarian distribution of wealth, i.e., that the new economy makes it even easier for almost anyone to become fabulously wealth today, are misplaced.

The *Observer* newspaper noted in its list of Britain's wealthy young the previous week that the “new generation of e-millionaires have much in common with 'old money'. Far from representing a new, classless generation, many are from the very establishment the Internet is supposed to overturn”. Most of the 40 business people listed—aged 30 or under and valued at a minimum of £2.2 million each—were educated in elite private schools. Many are the sons and daughters of millionaires or businessmen. “Those making most out of technology are the same as they have always been, and money and contacts are still crucial. Venture capitalists estimate that it costs between £250,000 and £500,000 to get a dot.com company up and running,” the *Observer* commented.

Similarly the *Times* points out that “old money” is rushing into the new sector. Those such as Lord Rothschild and Lord Weinstock, Britain's premier industrialist of the past 25 years, are putting their money into Internet ventures and could double their fortunes as a result. “One should not write off the power of old money and the complex trust funds that guard it,” the paper warns.

Inherited wealth still features heavily amongst those at the top of the list, including the Duke of Westminster, valued at £3.75 billion. The boom in land prices, particularly in the southeast, could ensure they are able to maintain their hold. The list does not include Prince Charles or Queen Elizabeth. The paper says this is because, although Charles's asset wealth is “easily in the order of £290 million or more”, they have not counted those assets as being his to “freely dispose of”. “If we counted the art as the Queen's personal wealth, she would not only head this list at £10 billion or more, but would probably be the richest person in Europe and ranked among the global top 20.”

The *Times* cautions that the Internet frenzy must come with a “serious health warning”. The increase in wealth has only two parallels in British history, it notes: the railway boom of the 1840s and share trading in the South Sea Company in 1720. The term “bubble economy” has its roots in the latter instance, when frenzied share trading in the South Sea Company—which had a monopoly of British trade with South America—recorded a 681 percent increase in value. When the bubble burst, it left “thousands of investors ruined”. The growth of the railway industry in Britain in the mid-1800s—then a “new economy”—also led to a scramble for shares and an increase in the number of railway shares quoted. “Just as the Internet has led to the rise of the day trader so, too, did the railway mania revolutionise share-dealing”, it states. “From 1844 to 1847 parliament authorised £250m on railway schemes involving 9,500 miles of line. Fortunes were made and lost.”

Whereas it took railway shares almost five years to rise by 50 percent, the Internet companies are achieving this in just days. Is the model today to be the Duke of Chandos, who made £855,000 in one month in 1720 in the South Sea Company, only to lose it all and end up heavily in debt, the *Times* asks? Or “will it mirror a pioneer of the industrial revolution such as the Duke of Bridgewater, Britain's first great canal builder,” who died in 1803, one of Britain's richest men?

The newspaper has no answer. It notes that much of the new-found wealth of the e-millionaires is on paper—rather like “the old royalty—paper rich and cash poor”. And “if the company goes belly-up, they are back on the poverty line”. The *Times* also cites economists forecasting the dangers ahead when the stock market bubble bursts. If this happens, “much of the Internet wealth will disappear in a puff of speculative smoke,” it reports.

Nonetheless, the *Times* continues blithely, “if this happens, we will report on the casualties next year”. It assures its readers that history shows that even after the South Sea Bubble, the world kept on turning. Of what consolation this will be to the tens of millions of people whose pensions and savings are invested in today's Internet “gold-rush” it does not say.