A "very good year" for Australia's richest 200 individuals

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The wealth of the richest 200 individuals in Australia has climbed $4.25 billion over the past 12 months, or 7.4 percent, according to the annual Rich 200 edition of the *Business Review Weekly (BRW)*. Their combined wealth is now estimated to be a staggering $61.35 billion, an average of $307 million each. The various reports and figures published in the magazine show that the rich are enjoying unprecedented levels of wealth. “It was a very good year,” the *BRW* concluded.

Nevertheless, the increase in wealth was somewhat more subdued than previous years. In 1997-98 it leapt 17.5 percent and in 1998-99 nearly 20 percent. As then, the bonanza over the past year has come largely on the back of a booming stock market. In fact, if it were not for the market “correction” in April, which saw share prices plummet, particularly for telecommunications and Internet stocks, the rate of increase would have been considerably higher.

Indeed, many of the fortunes that were consolidated and those newly founded had the stock market to thank. One can gauge the bloated extent of the recent boom by looking at the history of the All Ordinaries, the main share index on the Australian Stock Exchange (ASX). The All Ords was first established in 1980 at 500 index points. It took 13 years to reach the 2,000 mark. At its peak in April it hit 3,200 and is now around 3,100.

Australia's richest man is still Kerry Packer, whose interests predominantly lie in the media and publishing industries. He left others in his wake, increasing his wealth by nearly one third in 12 months, from $6.4 billion to $8.2 billion. On the assumption that he worked five days and 40 hours per week, he collected more than $34 million a week, nearly $7 million a day and close to $900,000 an hour. To put it another way, his income last year was more than 69,000 times greater than that of the average worker on $26,000.

About half of the increase was the result of higher share prices for his company Publishing and Broadcasting Limited, which has moved into the Internet and e-commerce markets.

The majority of those on the list are still establishment figures. In the top 10 one finds men in command of retail and shopping empires, property developers, media moguls and manufacturers.

One striking aspect, however, is that it included 40 new entrants, each exceeding the required $85 million to make the list, a prerequisite that has doubled in the last five years. Of these, 21 or more than half, made their money in the information technology and telecommunications industries.

The stories of these new millionaires are similar: their newly-founded companies listed on the stockmarket and/or were bought by a transnational, transforming them into instant multi-millionaires.

The wealthiest new entry on the list, Wayne Paslow, is worth $890 million. His company, Open Telecommunications, listed on the ASX and its price immediately skyrocketed 400 percent.

Caren DeWitt and Phillip Merrick, a couple, benefited from an even larger first-day share price increase for their company Webmethods. It recorded the fourth-highest one-day gain on the Nasdaq, soaring from $US35 to $US212 per share. Eighteen days later it peaked at $US360, making them instant billionaires.

Another couple, founders of the Internet search engine Looksmart, also hit the jackpot when it listed on the Nasdaq last year. In the beginning they had trouble paying their staff. Now Evan Thornley and Tracey Ellery (both in their mid-thirties and the latter a former president of the National Union of Students) are worth $585 million. Their company was founded only five years ago.

The number of new entrants, large as it is, would have been higher if it were not for the April downturn on world stockmarkets. Many aspiring climbers saw the paper value of their companies plummet. Take, for example, Johnson Wang, founder of the Internet Service Provider (ISP) Eisa. Earlier this year Eisa made a bid to buy Australia's second-largest internet service provider Ozemail, already the subject of one takeover last year in which its three main shareholders each pocketed tens of millions of dollars. But then Eisa's share price took a nose-dive, from a high of $3.18 three months ago to 25c, with Wang losing close to $200 million.

The *BRW* applauds the fact that there are now approximately 240,000 millionaires, an increase of around 30,000 since last year and 166,000 since 1993. On top of this, a further 250,000 are sitting on assets valued between $900,000 and $1 million. This new layer of wealthy, its numerical size unprecedented in Australia's history, has created a substantial market for luxury goods, something previously unknown in a country with a relatively small population.

High-end real estate prices in Sydney, for example, have climbed 15 percent in the past 12 months. According to one survey, prices in some of Sydney's most exclusive suburbs are higher than those on New York's Park Avenue.

Sales of luxury cars have surged ahead, despite a general lull in overall car sales. In the first three months of this year sales figures

were up for Lexus (36 percent), BMW (24 percent), Mercedes Benz (17 percent), Jaguar (15 percent) and Porsche (13 percent).

The development of this layer of nouveau riche, alongside the old establishment wealth, is the product of several processes that point to contradictions deep within the capitalist system itself. Relentless global cost-cutting and rationalisation have seen some company profits soar. Overall, however, average profit rates have continued to decline, driving investors into increasingly speculative activity.

Many companies, particularly those exploiting the technological revolution in fields such as communications systems and biotechnology, have been swamped by financiers keen to realise much larger and quicker returns on the stock market than are possible in the process of producing commodities.

The wholesale privatisation of state-owned enterprises has also opened up new areas for lucrative investment. In Australia this includes Qantas, the Commonwealth Bank and Telstra, now half-privatised. Tens of thousands of workers have lost their jobs with these corporations. In some cases they have been re-hired on far worse conditions as contractors, often having to re-train in new technologies at their own expense.

But for the editors of *BRW*, times couldn't be better. Their introductory article for the Rich 200 edition, under the headline "The joy of wealth," celebrates the fact that, in their opinion, the entire population is benefiting from increases in productivity.

"The spoils of Australia's buoyant economy are being distributed fairly evenly. For example, in the workplace the old tensions between capital and labour are changing. In a low-inflation environment, workers' earnings have grown and productivity has increased. The increase in average weekly earnings in the past year has been about 4 percent."

The reality is a far cry from these proclamations. According to the latest figures from the Australian Bureau of Statistics, average wages for the year to February 2000 increased by only 2 percent, just above the lowest increase recorded of 1.7 percent in May 1993. By contrast company profits rose by 22.8 percent in the year to March 2000.

Even these average figures mask the worsening social inequality. Research just published by the National Centre for Social and Economic Modelling indicates that the income of those on less than half the median wage actually fell by 2 percent in the 15-year period to 1996-97. Those earning more than 175 percent of the median enjoyed an increase of 18 percent, or $229 per week.

After nearly 10 years of continuous economic growth, the poorest 20 percent of the population survived on an average weekly income of just $124 during the financial year 1997-98. The richest 20 percent took home an average of $1,590 per week. Although the average wage for that year was $658, around 70 percent of the population earned less.

One particularly obscene indication of the social polarisation is the difference in spending levels on basic goods and services. On food, for example, Australia's millionaires spend around twice as much each as the rest of the population. On education, the factor is seven and for health and clothing it is three. Moreover, the millionaires spend about seven times more on superannuation contributions.

These figures are all the more significant because there is a major shift away from government provision of basic social services and toward the privatisation of health and education in particular. In addition, successive governments have introduced measures designed to ultimately replace retirement pensions altogether with superannuation schemes.

Such is the glaring social gap that *BRW* felt compelled to feature two articles attempting to argue for the virtues of wealth and inequality.

The first, "It is not a sin to be rich," was penned by a "Catholic moral scholar," Dr Samuel Gregg. He argues that, "The poor, Christ once said, will always be with us. So too will the rich."

Taking the Bible as his point of departure, Gregg defends unlimited wealth accumulation and presents the current social and economic order as divine and natural, while preaching the virtues of submission. The economic processes lying behind social inequality are mystified and covered over with entreaties to "accept thy lot".

The second article, written by regular columnist Peter Ruehl in an effort to inject a bit of humour, is even cruder. Under the headline "A wealth of jealousy" he insists that the rich are no different to anyone else. The less well-off are simply unwilling to put in "slightly more effort, slightly more brains and about 10,000 fewer beers".

His approach is hardly new. Apologists for the profit system have long claimed that the rich are simply ordinary people made good, with their wealth a just reward for hard work.

As a matter of fact, the wealth of the few is accumulated, within the current social and economic order, at the direct expense of the great majority. All society's wealth—its products and services—are produced by the labour of the working class, whether in the form of mental or physical work. The source of profit is the difference between the value created by workers' labour in the process of production and the wages they are paid—two entirely different amounts.

As Gregg and Ruehl are clearly aware, growing levels of social inequality inevitably produce resentment. Such resentment takes an even sharper form today amid a computer and technological revolution, where an ever-widening gulf exists between the astounding potential of technology and the deteriorating living conditions experienced by masses of ordinary people. Why should workers accept the line that society will always have a rich and poor when enough goods and services can easily be produced to provide everyone with a high standard of living?

Though the *BRW*'s arguments are as old as the capitalist system itself, their publication in this edition is a sign that things are not quite as rosy as the *BRW* would like them to be; a sign that those within the ruling elite sense mounting opposition from below.