World Wealth Report: a census of the global oligarchy

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The 2007 World Wealth Report, released last month by European consulting firm Cap Gemini and Wall Street firm Merrill Lynch, documents the numerical and financial growth of "high net worth individuals" (HNWIs)—individuals with over $1 million in financial assets—over the past year. The report provides a picture not only of growing wealth among the richest layers of society, but also an increasing concentration of wealth at the very top.

In 2006, the HNWI population grew by 8.3 percent to a total of 9.5 million worldwide (0.14 percent of the world's population). Their financial holdings grew 11.4 percent to $37.2 trillion dollars—roughly one quarter of global household wealth. The top layer of "ultra-high net worth individuals" (UNWIs), with over $30 million in financial assets each, grew 11.3 percent to 94,740, and their total holdings increased 16.8 percent to $13.1 trillion.

Thus, even within the wealthy, resources are highly concentrated: the top 1 percent of the HNWIs (.0014 percent of the world's population) control over one third of HNWI wealth.

To give a sense of the enormity of this wealth, the individuals that fall under the UNWI category control wealth approximately equal to the gross domestic product of the United States (about $13.13 trillion in 2006). That is, their wealth is approximately equal in value to all the goods and services produced in the United States in the entire year. World GDP—the value of all goods and services produced in the entire world—is about $48 trillion, or about $10 trillion more than the financial holdings of high net worth individuals.

As the London-based *Financial Times* pointed out, the UNWIs do better than HNWIs largely thanks to high-risk, high-return investments. It quoted Nick Tucker, head of Merrill Lynch's private client group in the UK and Ireland, as noting, "Ultra-high net worth individuals are very aggressive investors. If things are good, they will do better than the high net worth individuals, who are more cautious."

The world's HNWIs are concentrated in the US (over 3 million), Europe (just under 3 million), and Asia (over 2.5 million)—especially, as the report notes, in Asia's "wealthier countries." The report also makes clear, however, that the newly developing countries are seeing a faster growth in the number of HNWIs than the developed economies: 20.5 percent in India and 16.8 percent in Indonesia, for example.

While the HNWI population in China grew by 7.9 percent, it grew by 12.2 percent in Hong Kong. This is a reflection of the paramount importance of export trade and financial and merchant capital in China's rise as a capitalist power. Much the same is true of Southeast Asia, where Singapore, the region's top trading center, topped the world's HNWI population growth rate, at 21.2 percent.

Several former Warsaw Pact nations also saw explosive growth in the HNWI population, a continuation of the process that began with the privatization and looting of the state-owned enterprises of the USSR and Eastern Europe in the early 1990s. This included Russia (15.5 percent growth), boosted by high oil prices and successful initial public offerings (IPO) of key stocks, and the Czech Republic (12.6 percent).

The number of HNWIs in Latin America grew by 10.2 percent and their holdings grew by 23.2 percent, outpacing world averages in both cases. Latin American HNWIs were concentrated in Argentina, Brazil, Peru and Chile. The report cited the increasing prices paid for Latin American raw materials by Chinese manufacturers as the main motor of the region's economic growth.

The Middle Eastern growth in HNWI population was due to high oil prices. The report noted that regional wealth was concentrated in the Persian Gulf monarchies. Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates "continued to drive wealth creation in the region." The African HNWI population grew by 12.5 percent and its holdings by 14 percent, boosted as in Latin America by high raw materials prices, notably in mining.

The growth in the population of wealth individuals in underdeveloped countries highlights the fact that wealth reaching these countries generally is accumulated by a tiny layer of the population. According to inequality figures, the bottom half of the world's adult population owns collectively only 1 percent of the world's assets.

The cultivation of a minute layer of ultra-wealthy in these countries indicates, however, a certain limited redistribution of power within the global economy as industrial activity increasingly takes places outside the traditional imperialist powers, under cheap-labor conditions. Along these lines, the British *Guardian* announced on July 3 that Mexican telecom tycoon Carlos Slim Helú recently overtook Microsoft founder Bill Gates to become the world's richest man. As Helú's massive Mexican telecom stock holdings surged forward in value, his fortune grew to an estimated $67.8 billion, surpassing Bill Gates's $59.2 billion fortune largely built on Microsoft stock.

The World Wealth Report did not give precise statistics on the source of HNWIs' wealth. However, it is clear that much—in all probability most—comes from speculative investment in stocks and other financial assets.

The global 11.4 percent rate of return on HNWIs' investments far outpaced global real Gross Domestic Product (GDP) growth of 5.4 percent. This confirms that their financial gains did not come only from the growth of global production; they did not simply receive the same portion of a growing economic pie. To the extent that their gains are not purely speculative, they come from the ruthless reduction of the portion of global economic production allocated to the working class.

As stock prices are bid ever higher by the literally astronomical sums of money at the disposal of the HNWIs, the world's major stock markets all significantly outperformed real GDP in 2006. In the US, the report cited "strong corporate profits"—the result of relentless downward pressure on wages—and various psychological factors as reasons for growth of 16.3, 13.6 and 9.5 percent in the Dow Jones Industrial Average, S&P 500 and NASDAQ stock indices respectively.

The European markets all outperformed the US markets in 2006, with the German, French and British markets posting 22, 17.5 and 10.7 percent returns respectively. Some developing-country markets saw spectacular growth, with 62 percent in Indonesia, 49 percent in the Philippines, and a whopping 131 percent in the Shanghai stock market. Even Japan, the laggard at a 6.9 percent yearly return, outpaced real GDP growth.

The report also points out how HNWIs and especially UNWIs increasingly treat art and luxury items (private planes, yachts, sports memorabilia, etc.) as speculative financial instruments: "Once viewed almost exclusively as the pastime of connoisseurs, art collecting is increasingly seen as an investment," the report notes. "The art market has drawn such wide interest that today many wealthy investors, even those without a particular passion for collecting, now see paintings, drawings and sculpture as viable vehicles for diversifying their portfolios given the low correlation between art prices and the market cyclicality of stock, bonds, and real estate."

This reason for investing in the art market is telling. The immense pools of fictitious financial capital created in stocks, bonds and real estate are threatened by the next capitalist crisis since they are tied, albeit in an extremely distant and distorted way, to the crisis of the material economy. Top collectible art is appreciated because it is so exclusively the preserve of the ultra-rich that it is, to a significant extent, insulated from "market cyclicality," that is, fluctuations in value. Those bidding on it will always have mountains of cash.

There are signs that HNWIs are increasingly concerned about the danger posed to their immensely inflated holdings by a catastrophic financial collapse. As *Wall Street Journal* commentator Robert Frank pointed out in an article on the World Wealth Report (tellingly titled "Why the Rich are Bailing Out of Hedge Funds"), "the rich have cut their exposure markedly to 'alternative investments'—a class that includes hedge funds, private equity, structured products, venture capitals, and currencies.... Merrill and Cap Gemini say this is a 'temporary tactical move,' driven by 2006's low volatility in financial markets. The Wealth Report [the section of the *Wall Street Journal* in which the article appeared] isn't so sure. With credit markets going through daily spasms, the days of big leverage and big returns in hedge funds and private equity may be numbered. Perhaps the rich saw it coming in 2006."

This diseased mixture of inordinate wealth and increasing uncertainty, even perhaps paranoia, as to its foundations gives a certain insight into the psychology and the politics of this tiny layer of humanity. It is around their needs that the ruling political elites shape their policies today—the massive tax cuts, the growth of militarism, the elimination of public services and the cultivation of a political and moral atmosphere in which obscene levels of wealth can be openly worshiped.