

Britain's rich get richer even as recession begins to bite

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The choice of headline to mark 20th anniversary of the *Sunday Times* Rich List will hardly have given the newspaper's editor sleepless nights: "Rich Get Richer under New Labour." The same headline would suffice for each of the past 10 years.

But this time the uninterrupted growth of wealth amongst the already super-rich takes place amidst a period of extreme economic turbulence, during which the living standards of working people have fallen sharply. As *Sunday Times* journalist Philip Beresford's opening gambit illustrates: "Even as the storm clouds gather, Britain's super-rich have never been richer."

Not only are the super-rich utterly impervious to the extortionate recent rises in the cost of living, but their wealth grows whether economic conditions are favourable or not. While house prices in the UK have begun to fall, reports in the media detail how the rarified West London housing market of the international super-rich is insulated from such downward pressures and continues to climb—albeit at a slightly slower rate.

The accumulated wealth of those on the rich list has grown to £412.8 billion, an increase of almost £53 billion from last year. Growth has fallen by more than a quarter, from last year's rate of 20 percent, to 14.7 percent. Of this year's top 10, only three were born in Britain. Indian-born number one Lakshmi Mittal's wealth grew by an astonishing 44 percent, mainly by virtue of swallowing up more international steel producing facilities through mergers. Such business manoeuvres usually result in consolidation and redundancy notices for staff who find their jobs duplicated.

In his new book on international elites David Rothkopf observes, "The rise of nation states produced national ruling classes. It would be odd if the current

integration of the world economy did not produce new global elites—business people and financiers who run global companies."

Writing in his *Observer* column about Rothkopf's new publication, Will Hutton noted how Prime Minister Gordon Brown has surrounded himself with former employees of Morgan Stanley and Goldman Sachs. Jonathan Powell, former premier Tony Blair's chief of staff, has joined Morgan Stanley and Blair himself receives a large stipend from Goldman Sachs.

The *Sunday Times* then addresses itself to the relatively tragic fate of British-based billionaires. Whilst the international super-rich are, in the words of the *Sunday Times*, "getting richer quicker," by contrast British-born billionaires with substantial UK investments suffered from the economic slowdown far more than their international counterparts. Falls were expected in fortunes reliant upon British retail, property and investment. British-born Sir Philip Green, who owns BHS and TopShop, saw his wealth decline by 10 percent—losing £570 million in one year. Richard Branson lost £400 million off a previous £2.7 billion due in no small measure to the drop in Virgin Media's share value. Vincent Tchenguiz, a British investor and property dealer, suffered a 76 percent fall in his wealth.

Rupert Murdoch's flagship newspaper complains (in what will be seen as a warning by the Brown government) that "whereas we used to lead the field with the near-20 percent growth rates, our 14.7 percent increase this year seems positively pedestrian." Rich list lead writer Beresford points to contemporary increase of 22.6 percent in the wealth of the world's super-rich and of a staggering 26.6 percent increase amongst Europe's super-rich over the last year.

Beresford then complains about the new single payment of £30,000 annual tax levied on those deemed

to be non-domicile (not resident) in Britain—irrespective of their actual wealth—despite this being little more than loose change for those on its list. The UK’s non-domicile rule in fact still allows the international super-rich to make London their home without paying taxes on earnings from abroad. And they pay very little or nothing on their British-based profits.

But Beresford is worried about bigger things to come. He notes that the storm clouds are gathering and worries that the super-rich have become a “convenient target,” writing, “In times of economic uncertainty, the gulf between rich and poor is rarely ignored by those looking for a convenient scapegoat.” By way of defence, the *Sunday Times* hails the money donated by a few of the super-rich to charity.

The degree of wealth disparity in the UK is astounding and Beresford is not the only commentator to note the increasing hostility towards the super-rich. A couple of days after the publication of the list, Dominic Lawson opened his weekly column in the *Independent* newspaper by stating, “If there is a bloody Bolshevik revolution in this country, I think I can guess the inflammatory pamphlet which will be waved by the people putting the wealthy up against the walls and shooting them. It will not be the Communist Manifesto. It will be the *Sunday Times* Rich List.”

Though decrying what he described as the “politics of envy,” Lawson states that “The 2008 edition, published just a couple of days ago, was more eye poppingly voyeuristic than ever: 110 pages of non-stop salivation over fortunes which the rest of us could only dream about.”

He then notes that the Archbishop of Canterbury, Rowan Williams, was interviewed only days prior to the rich list publication, telling BBC interviewer John Humphreys, “The more you have a disproportion between what people are earning and what they are worth, the more we have astronomical sums with no clear rationale behind them, the less credibility the whole thing has.”

Williams added that the enormous disparities between the super-rich and ordinary working people brings about “a degree of envy and cynicism ... that leads people to feel alienated from the rest of society.”

Lawson’s derision is not directed against inequality, but at those like Williams who presume to draw attention to the elephant in the room. The Archbishop’s

sin is to make the obvious connection between the gargantuan wealth accumulated at the one pole of society with the increasing immiseration and insecurity at the other. Williams, writes Lawson, “is one of those who believes that over the past decade under New Labour the least well off have got poorer as the rich got richer, and that the latter fact is in some way responsible for the former.”

Lawson spends the rest of his column arguing that inequality, regardless of repeated academic research findings, is not really growing. And besides, he pleads, any attempt to redistribute wealth through taxation is self-defeating.

But such statements—the mantra of Thatcher, Blair and Brown—ring increasingly hollow. In the UK millions of working people live a life of perpetual financial insecurity and crippling debts. They suffer the daily ignominy of waiting nervously for the latest bank or mortgage statement, or looking on as petrol gauges and pay-as-you go utility meters tick over. Newspapers, even the upmarket broadsheets, are full of advice for readers about how to tighten their belts, how to reduce debt and avoid bankruptcy or how to save money on household shopping and utility bills.

While house prices rose and credit was readily available, the Labour government and a supportive media was able to dazzle sufficient numbers of people with the illusion of rising living standards. No longer. Gordon Brown has constructed an economy built on unsustainable levels of debt. Not for nothing did *Guardian* economics editor Larry Elliott call his book on Blair and Brown’s economic policies *Fantasy Island*. That some commentators are now worried by the vulgar worshiping of money represented by the *Sunday Times* Rich List is out of fear of the social and political struggles that will inevitably be provoked by the onset of recession.



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