

# China's rich list continues to grow

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The gulf between rich and poor in China continues to widen, exacerbated by the global economic crisis. China's Hurun 2009 Wealth Report published last month found that there were 825,000 individuals with personal wealth of more than 10 million yuan (about \$US1.45 million). Among those, 51,000 had more than 100 million yuan.

While the Hurun report has not previously listed Chinese millionaires, Merrill Lynch and the French-based consultant firm Capgemini reported in 2008 that China had 415,000 dollar millionaires in 2007. By contrast, the number of millionaires in France was 394,000 and in Britain, 495,000.

Even British accountant Rupert Hoogewerf, who produces the Hurun report, was struck by the levels of social inequality in China. Only one in 1,700 people had more than 10 million yuan in China, he said, "which is far beyond our expectations, if compared with one in 100 in the United States owning \$10 million, and one in 150 in the United Kingdom having 10 million pounds".

Hurun listed 106 dollar billionaires in China in 2007, the second highest number after the US, even though China's per capita GDP ranks 100<sup>th</sup> in the world. Based on the World Bank's poverty line of \$1.25 a day, the number of poor in China could exceed 100 million.

Sharp falls in share and property values and in exports since last September have wiped out significant sections of small and medium businesses, but hardly impacted on China's wealthy elite. The Hurun report stated that as of February 2009, 82 percent of the rich felt their lifestyle had been "unaffected" by the global financial crisis. Some 30 percent of millionaires had

increased their cash deposits from six months ago, and 12 percent increased in investment in gold, while 54 percent had cut their investment in stock.

The report identified four categories of the Chinese wealthy—private entrepreneurs, high-paid corporate executives, real estate speculators and professional share traders. Their top three hobbies were identified as travel, swimming and golf, even as an army of unemployed—some 20 million rural migrant workers and 8.86 million urban workers—struggle to fill their stomachs each day.

The rich prefer international travel to destinations such as the US, France and Australia, and have been spending 50 percent more time on leisure travel than last year. Their taste in expensive Western luxury brands included Louis Vuitton in fashion and BMW and Mercedes Benz in cars. By contrast, rural migrants travel home from their urban sweatshops in overcrowded trains and buses.

"Despite the credit crunch," the Hurun report noted, "the Rolls-Royce Phantom continued to set the standard for super luxury cars and the [private-owned] China Merchant Bank for Best Onshore Personal Bank. Best Luxury Drinks Brand was Royal Salute."

The Bain & Co., an international consulting firm, recently estimated that although China only accounts for 3 percent of the global luxury market, sales in China would grow by 7 percent this year, even as the world total fell by 10 percent.

Another analysis of the world's wealthy produced by *Forbes* magazine in March found that the number of billionaires in China had dropped by 19 last year because of the financial crisis. The fall, however, was

comparatively small compared to the decline in the US (125), Russia (55), India (29) and Turkey (21).

*Forbes* was optimistic about the future of China's wealthy, declaring: "Even though China has fewer billionaires this year, it still holds promise for ambitious entrepreneurs. The proof: After the US, China is home to more new billionaires than any other nation in the world. It welcomes five new billionaires including Wang Chuanfu, whose BYD Co. makes electric cars, and Zhou Chengjian, who listed his fashion retailer in one of the country's most successful public offerings of last year. More than a reversal of national fortune, this year's large number of Chinese drop-offs from our billionaires list looks more like a breather."

The comment by *Forbes* only underlines the confidence among major foreign investors in China's future as the world's premier cheap labour platform, overseen by a police-state apparatus. Last September one of America's wealthiest investors, Warren Buffett, paid \$230 million for a share in Wang's BYD Co.—one of China's fastest growing private auto companies.

Indeed, investors are calculating that the downturn in China may assist by easing labour shortages in recent years, particularly of skilled labour such as middle-managers and technicians. With 48 million Chinese workers and graduates expected to be looking for work this year and predictions of just 7 million new jobs, companies can pick and choose, and push down wages and salaries.

The acquisition of private wealth began with Deng Xiaoping's "market reform" policy in 1978. The suppression of protesting workers and students in the Tiananmen Square massacre in 1989 signalled to foreign capital that China was open for business. Tens of billions in investment flooded into the country.

The restructuring of state-owned industries was accelerated. An estimated 30-40 million workers were thrown on the scrap heap in a wave of mergers, closures and privatisations. Many managers of state industries, in league with government bureaucrats, became shareholders in the newly privatised

companies, laying the basis for their membership of the millionaires club.

The wealthiest and most powerful of the rising bourgeoisie are connected to the Chinese Communist Party (CCP). In 2006, a survey by the official Chinese Academy of Social Sciences found that of the 3,320 richest individuals in China—owning more than 100 million yuan—2,932 were the children of high-ranking officials.

Whether "self-made" or "well-connected", all China's millionaires made their fortunes through the super-exploitation of workers, driven to find work following the destruction of collective agriculture and dismantling of state industry. Poverty has driven workers to accept low wages, long hours, dangerous and unhealthy conditions, poor food and accommodation and a lack of even the most basic labour rights.

Social tensions are reaching boiling point. In its February edition, Hong-Kong's *Cheng Ming* magazine reported that petitions and demonstrations in China reached 127,467 in 2008 and involved more than 12 million people—compared to 87,000 incidents in 2005. Overwhelmingly the protests are by workers and the urban and rural poor.

With unemployment and social inequality set to dramatically worsen this year, social unrest is certain to grow.



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