Fortunes mount for the wealthy in wake of the finance crisis

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According to a recent study issued by the Boston Consulting Group, the rich are getting richer worldwide despite the deepest financial and economic crisis since the 1930s.

In 2009 the worldwide net assets of private investors in the form of cash, shares, securities or funds increased by 11.5 percent to a total of $111.5 trillion. This is more than equivalent to the losses to the world economy following the onset of the economic crisis in 2008.

In 2008 global net assets plunged by more than 10 percent, or approximately $100 trillion in comparison to 2007. Now the fortunes of the rich and super-rich have accelerated to reach the same level as prior to the outbreak of the international financial crisis that began with the collapse of Lehmann Brothers in September 2008.

Divided into regions of the world, North America registered the largest absolute appreciation of assets with an increase of $4.6 trillion (15 percent). In Europe, private fortunes grew slightly less, at 8 percent, but Europe remained the richest region of the world with total private assets of $37.1 trillion compared to North America ($35.1 trillion).

In the Asia Pacific region (including Australia and New Zealand, excluding Japan) private net assets grew nearly twice as vigorously as the global average; i.e., around 22 percent ($17.1 trillion). Japan lagged somewhat behind with fortunes rising 3 percent to $14.9 trillion. In Latin America private fortunes also rose above average, however at lower level; i.e., around 16 percent to total $3.4 trillion.

In a period when, as a result of the financial crisis, millions of workers all over the world lost their jobs—descending into unemployment and poverty and vastly increasing the pool of the poor—the financial elite were able to increase their fortunes in an obscene manner.

This is confirmed by the growth of the number of dollar millionaires. This category increased powerfully across the globe. According to the BCG study most millionaires live in the US (4.7 million), followed by Japan (1.2 million), China (670,000), Great Britain (485,000) and Germany (430,000). Following on are Italy (300,000), Switzerland (285,000), France (280,000), Taiwan (230,000) and Hong Kong (205,000).

The most significant increase in dollar millionaires took place in Singapore (35 percent), followed by Malaysia (33 percent), Slovakia (32 percent) and China (31 percent). In Germany the number of millionaire households rose by 23 percent last year.

This small elite of millionaires, who together constitute less than 1 percent of all households worldwide, were responsible for 38 percent of all investments made in 2009.

A major reason for the increase in net assets of the rich and super-rich are the rescue packages totalling several trillion dollars made available to the banks and financial institutions by governments all over the world. Now the gaping holes in state budgets are to be plugged at the expense of ordinary working families and the socially disadvantaged.

That is the real content of the austerity programs that are now being decided upon and implemented in numerous countries. In Germany the government plans to slash benefits for workers, the unemployed, welfare recipients and pensioners, while the rich and super-rich remain untouched.

This re-division of social wealth did not begin in the autumn of 2008. It had in fact been taking place for three decades and was only intensified and accelerated by the financial crisis.

In Germany it was above all the social democratic (SPD)-Green government of Gerhard Schröder and Joschka Fischer that precipitated the accelerated increase in fortunes for the wealthy. The SPD-Green coalition

(1998-2005) initially lowered the maximum rate of income tax from 53 to 42 percent; only to increase it slightly later to 45 percent.

The same government abolished capital gains tax on cross shareholdings in 2000, hugely increasing the volume of speculative investment undertaken by German banks and financial institutions. In 2004 the SPD-Green coalition passed legislation that enabled hedge funds to operate in Germany for the first time. With the introduction of its notorious Hartz laws and a number of associated labour market reforms it created the conditions for the creation of an enormous low pay sector, which currently encompasses nearly 7 million workers.

Following Schröder's resignation, the succeeding Grand Coalition of social democrats and conservative parties once again rewarded the owners of capital. Thanks to the withholding tax introduced by the coalition, the rich pay even less to the state than previously. The DIW (German Institute for Economic Research) states in its report on the crisis year of 2009, "The rich have become richer. The poor remain poor…. East Germany is becoming increasingly impoverished. Inheritance tax reform and the withholding tax are promoting inequality".

According to the DIW, two-thirds of the German population in 2009 possessed none or very little savings. The richest 10 percent of society, on the other hand, possessed 60 percent of all wealth in Germany, a figure set to rise.

According to the IMK institute, the losses to the state due to tax reforms since 1998 amount to $50 billion annually. The *Frankfurter Rundschau* concludes, "Were it not for these permanent tax breaks the finance minister would not require a savings package today. If the reigning political circles had refrained from continually favouring middle and upper incomes, it would not have to cut the benefits of unemployed persons and families today".