

As US moves to abolish estate tax, world's billionaires pile up another \$1 trillion

Andre Damon
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The Swiss bank UBS and PricewaterhouseCoopers (PwC), two leading global advisors of the ultra-wealthy, have released their annual Billionaires Insights report, showing that the total wealth of the world's billionaires shot up 17 percent last year.

Driven by a roaring global stock market, the total number of billionaires increased by 10 percent, to 1,542, while their combined wealth increased by nearly a trillion dollars, hitting \$6 trillion, or more than the GDP of either Germany or Japan.

The growth rate for the wealth of these billionaires was three times higher than the rate of global economic growth, and more than twice the rate of growth of the global stock market during this period.

According to the report, financial speculation was the main driving force. "Movements in financial markets and currencies dominate the picture from year to year," it states.

Asia now has more billionaires than the United States, including 318 in China, up by 67 since 2015. However, the US still has the largest number of billionaires of any country by far, with 563, including 25 new billionaires in 2016. Almost half of the wealth of the world's billionaires, \$2.8 trillion, is concentrated in the US.

The dizzying enrichment of the financial oligarchy is matched by growing poverty and social misery on the broad mass of the population, expressed perhaps most directly in the declining life expectancy in the United States amid an epidemic of what one researcher called "deaths of despair."

While the top-tier wealth advisors who put together the report are looking forward to the massive fees they will receive for managing this hoard of wealth, the report nevertheless strikes a worried note.

Its authors say the world is in a new "gilded age,"

and are troubled about the prospect of it coming to an end. "This period of great wealth creation is now approaching the longevity of its predecessor, which according to most historians lasted from 1870 to 1910. In our opinion, today's started in 1980 and has lasted for more than 35 years." The report concludes, "We believe that great wealth creation has cycles, tending to move in S-curves rather than growing linearly."

Commenting on this analysis, Josef Stadler, head of global ultra-high net worth at UBS, told *Business Insider*, "The last gilded age led to the Sherman [Antitrust Act of 1890] Act," which broke up monopolies. "We're at the peak point again now," he said, "Will that happen next?"

The biggest problem, according to the report's authors, is how the wealth piled up by the billionaires is to be passed on. "The biggest idiosyncratic risk is succession," Stadler told *Business Insider*.

More than two-thirds of American billionaires, the report notes, are self-made, having created their wealth during the period since 1980, which has seen a phenomenal run-up in stock markets and social inequality, fueled by policies of deindustrialization and easy money in the US and other major capitalist countries.

Few of the top ten richest people in the world were born into extreme wealth. Bill Gates, worth \$88 billion, now 62 years old, was the son of a lawyer. The biological father of Jeff Bezos operates a bike shop in Glendale, Arizona. Bezos, aged 53, has a net worth of \$83.5 billion. The father of Spanish business tycoon Amancio Ortega, now the world's fourth-richest man, was a railway worker.

These billionaires are now growing older, with more than half of all billionaire wealth in the US controlled by those over 70.

The UBS/PwC report notes, “The individuals on our database are getting older and wealthier. Over the coming 20 years, we estimate that those who are 70 years old or more will transfer USD2.4 trillion, up by 16% on the previous year,” noting that this will be a “huge windfall” for their heirs.

Oddly enough, however, “There does not appear to have been any significant wealth handover in the past year,” begging the question, why billionaires are “leaving it late to hand wealth to the next generation.”

The report only hints at the answer when it complains about “complex tax laws” that have made planning wealth transfers “increasingly convoluted.”

A central component of the Trump administration’s tax plan, which it is currently working to push through Congress, is the effective abolition of the estate tax, which applies to wealth being passed down through wills, and can be as high as 40 percent. The Democrats, for their part, have repeatedly stated their openness to working with Trump to “simplify” the tax code.

This plan took a step forward Thursday with the passage in the House of a budget bill allowing for Trump’s tax proposal to be fast-tracked through Congress, with some lawmakers calling for its passage before Thanksgiving.

It doesn’t take an economist to figure out that the world’s billionaires are biding their time for governments in the US and the world to abolish estate taxes.

The abolition of the estate tax would be a major step toward making the United States a hereditary oligarchy, in which wealth is passed down dynastically without any diminution, in the form of Europe’s prerevolutionary aristocracies.

Of course, as the study’s authors admit, such a scenario, which would further impoverish the great mass of the American population and sound a death knell for what remains of democratic forms of government, is far from inevitable. The last “gilded age” led to a wave of revolutionary uprisings throughout the world, whose highest expression was the Russian Revolution of 1917.

What will be the outcome of this new “gilded age”? If the financial oligarchy has its way, it will be the transformation of the United States and the rest of the world into the modern equivalent of medieval Europe, in which the elite has the power of life and death over

the working population.

But there is another, socialist, path open to humanity. Instead of allowing the wealth piled up by the financial oligarchy to enslave mankind, the trillions of dollars under their control can, and must, be expropriated and used to solve every social problem, from unemployment to starvation and disease, under the democratic control of the working population.



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