World's witnessing a new Gilded Age as billionaires' wealth swells to $6tn

Not since the time of the Carnegies, Ro

ckefellers and Vanderbilts at the turn of the 20th century was so much owned by so few

A gold Ferrari parked in Sloane Street in London, UK. Billionaires often spend on extravagant super cars and yachts. Photograph: Dan Kitwood/Getty Images

Rupert Neate Wealth correspondent

@RupertNeate

Thursday 26 October 2017 16.48 BST
Last modified on Thursday 26 October 2017 19.59 BST

The world's super-rich hold the greatest concentration of wealth since the US Gilded Age at the turn of the 20th century, when families like the Carnegies, Rockefellers and Vanderbilts controlled vast fortunes.

Billionaires increased their combined global wealth by almost a fifth last year to a record $6tn (£4.5tn) – more than twice the GDP of the UK. There are now 1,542 dollar billionaires across the world, after 145 multi-millionaires saw their wealth tick over into nine-zero fortunes last year, according to the UBS / PwC Billionaires report.

Josef Stadler, the lead author of the report and UBS's head of global ultra high net worth, said his billionaire clients were concerned that growing inequality between rich and poor could lead to a "strike back".

"We're at an inflection point," Stadler said. "Wealth concentration is as high as in 1905, this is something billionaires are concerned about. The problem is the power of interest on interest – that makes big money bigger and, the question is to what extent is that sustainable and at what point will society intervene and strike back?"

Stadler added: "We are now two years into the peak of the second Gilded Age."

He said the "$1bn question" was how society would react to the concentration of so much money in the hands of so few.

Anger at so-called robber barron families who built up vast fortunes from monopolies in US rail, oil, steel and banking in the late 19th century, an era of rapid industrialisation and growing inequality in America that became known as the Gilded Age, led to President Roosevelt breaking up companies and trusts and increasing taxes on the wealthy in the early 1900s.

"Will there be similarities in the way society reacts to this gilded age?," Stadler asked. "Will the second age end or will it proceed?"

The International Monetary Fund (IMF) recently said western governments should force the top 1% of earners to pay more more tax to try to reduce dangerous levels of inequality.

Stadler said media coverage of inequality and the super-rich suggested there would be an "inflection point", but he said "the perception that billionaires make money for themselves at the expense of the wider population" was incorrect.

He added that 98% of billionaires' wealth found its way back into wider society and said the world's super-rich employed 27.7 million people – not far behind the number of people in the UK workforce.

Billionaires' fortunes increased by 17% on average last year due to the strong performance of their companies and investments, particularly in technology and commodities. The billionaires' average return was double that achieved by the world's stock markets and far more than the average interest rates of just 0.35% offered by UK instant-access high street bank accounts.

Stadler said that the super-rich's concerns over public perceptions that they were getting wealthier at the expense of the wider population had led them to make greater philanthropic gifts and spend their money on public art galleries and sports teams.

"You could say it is about ego and wanting to show off and sit in the front row," he said. “But it is also about giving back.”

The report said billionaires now accounted for 72 of the world’s 200 top art collectors, up from 28 in 1995. “While not a fresh phenomenon, private museums are growing in number, especially in Asia,” the annual UBS report said. “Motivated by their passion for art, and often encouraged by favourable tax treatment, art collectors are setting up private museums all around the world to share their collections with the public.”

Recent gallery openings include The Broad in Los Angeles, funded by Eli Broad – the world’s 65th richest person with a $7.4bn fortune. Japanese billionaire Soichiro Fukutake is building a series of galleries to house his art collection on islands in Japan’s Seto Inland Sea.

“The billionaire population is concerned about [inequality] and that may be why we are seeing this acceleration of publicly displaying art collections or partnering with public institutions so more of the public can enjoy what they have,” said John Matthews, UBS head of private wealth management. “I think it’s a big part of investment in sports franchises – it’s a way for them to say ‘I made all this money and I did it in Cleveland, Ohio, I’ve got to give back to my community and one way I’m going to do that is to make sure the stadium is great’.”

The report found that 140 of the world’s top sports teams are owned by just 109 billionaires, with two-thirds of NBA and NFL teams owned by billionaires. In the UK, nine of the 20 Premier League teams have billionaire owners, including Roman Abramovich at Chelsea, and Sheikh Mansour at Manchester City.

“There is an acceleration of these transactions as we speak, with major buyers coming from China,” Stadler said.

One of the billionaires told the UBS researchers he had bought sports teams because it opened doors to “stars, sheikhs, famous businessmen and regular guys from around the world, all in the same room, all talking only about the ball”.

America’s Gilded Age

The Gilded Age, from the 1870s until the early 1900s, was boom time for America, as rail opened up the country and higher wages saw an influx of millions of immigrants from Europe.

The term to describe the era of rapid industrialisation and social upheaval in the US was coined by historians in the 1920s, and was derived from Mark Twain’s 1873 novel The Gilded Age: A Tale of Today.

Money from London and Paris poured into the US and fuelled industrialisation and rail development, including the first transcontinental railroad that opened up vast areas of territory to mining and ranching, and cut travel time from New York to San Francisco from six months to six days.

Several industries, including oil, steel, sugar and cotton, became controlled by a few large companies, run by trusts. The trusts controlled every aspect of production, from raw materials to manufacturing and sales, enabling them to operate as monopolies in their industrial sector and keep out competitors. The trusts turned their owners into some of the richest people to ever live, and whose descendants still feature oin annual rich lists.

Anger at the wealth accrued by so few people at the apparent expense of their poorly treated workers led industrialists, including Cornelius Vanderbilt (railroads), Andrew Carnegie (steel), JP Morgan (finance) and John Jacob Astor (real estate and fur), to be dubbed robber barons. Historian TJ Stiles said the term was adopted to "conjure up visions of titanic monopolists who crushed competitors, rigged markets, and corrupted government. In their greed and power, legend has it, they held sway over a helpless democracy."

President Theodore Roosevelt, elected in 1901, moved to break up the monopolies. John D Rockefeller's Standard Oil was split into 34 separate companies, including the predecessors of Exxon, BP and Chevron.

The Gilded Age gave way to the Progressive Era, when the backlash against the excesses and inequalities of the earlier period prompted widespread social activism and political reform.

More than a million people join ranks of very wealthy after stock markets boom

Number of high net worth individuals – with free assets of more than $1m – grows rapidly after US and European shares perform well

Yachts in Monaco. The number of people classed as high net worth individuals grew to 16.5 million. Photograph: Valery Hache/AFP/Getty Images

Rupert Neate Wealth correspondent

@RupertNeate

Thursday 28 September 2017 04.30 BST
Last modified on Thursday 28 September 2017 11.37 BST

More than 1 million people entered the global ranks of the wealthy last year as booming stock markets increased the number of individuals with free assets of more than $1m (£750,000) to a record 16.5 million.

Research by the business consultancy Capgemini found that the world's high net worth individuals (HNWI) collectively hold a $63.5tn fortune. In order to qualify as an HNWI, a person's assets – excluding their primary residence and its contents – must be worth at least $1m.

More than 1.1 million people saw their cash fortunes tip them into the HNWI bracket over 2016 as investments in shares in US and European markets performed well. The ranks of HNWIs grew by 8.2% in 2016, up from 6.5% annualised growth over the previous five years.

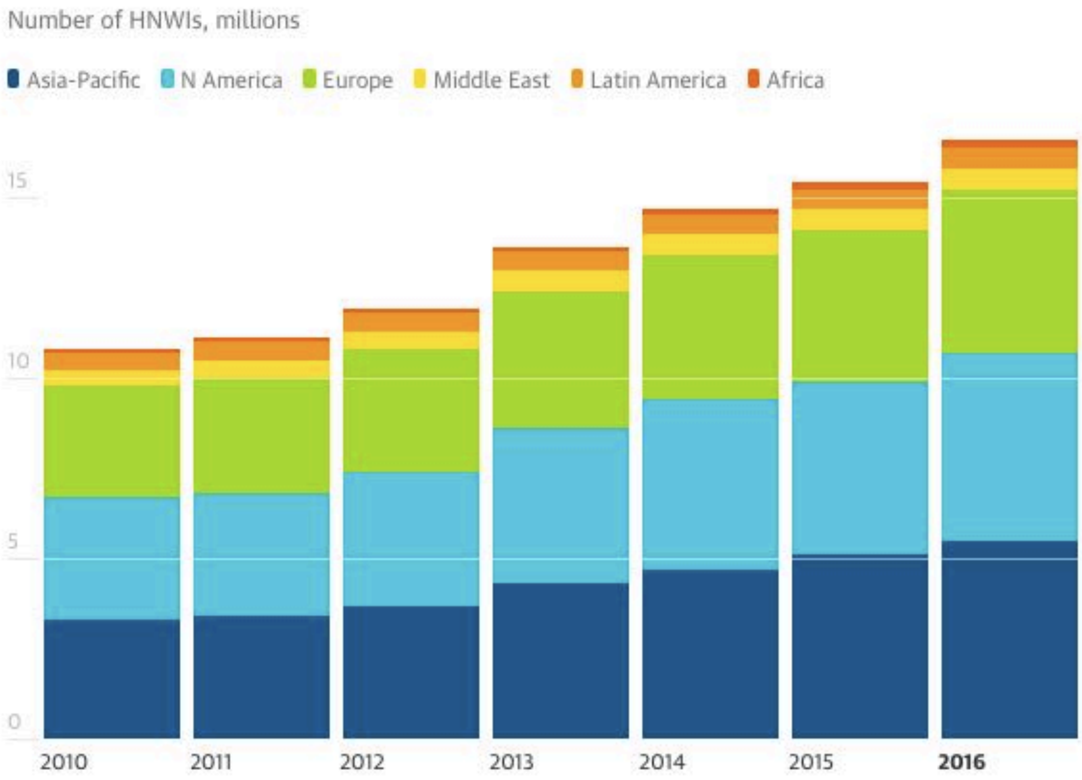
Cliff Evans, one of Capgemini's researchers, said the report showed that the alreadyrich were getting richer at a much faster rate than the wider population. "For people with a lot of money the service they're getting from investment managers is proving its worth," he said. "If you can afford the advice you get a much greater return."

The report found that HNWIs earned average returns of 24.3% on their portfolios that were overseen by a wealth manager in 2016. This compares with average interest rates of just 0.35% offered by instant-access high street bank accounts, according to the Bank of England.

In 2016 there were 16.5 million high net worth individuals worth a combined $63.5tn

Number of HNWIs, millions

Asia-PacificN AmericaEuropeMiddle EastLatin AmericaAfrica



Guardian graphic | Source: Capgemini Financial Services Analysis, 2017. Note: HNWIs have investable assets of US$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables

It comes as a growing number of politicians, economists and even the super-wealthy themselves are speaking out about the dangers of growing inequalityacross the world.

Four International Monetary Fund (IMF) economists warned that inequality "can fray social cohesion and undermine the sustainability of growth itself".

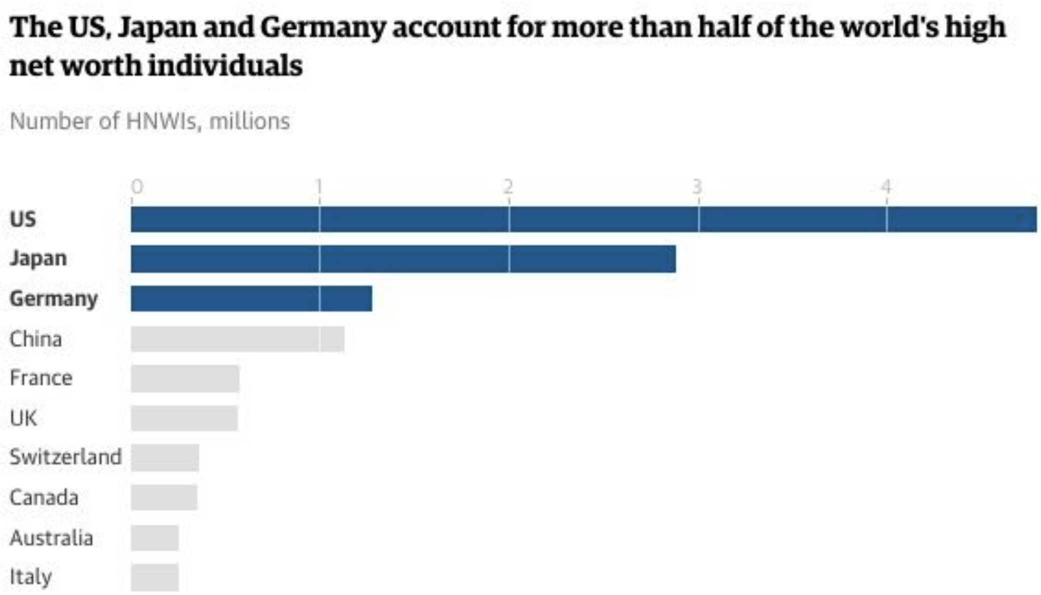
"Inequality has risen in several advanced economies and remains stubbornly high in many that are still developing," they said. "This worries policymakers everywhere for good reason. Research at the IMF and elsewhere makes it clear that persistent lack of inclusion – defined as broadly shared benefits and opportunities for economic growth – can fray social cohesion and undermine the sustainability of growth itself.”

Ray Dalio, the multibillionaire founder of the world’s biggest hedge fund, Bridgewater Associates, said this week that inequality was the globe’s biggest problem.

“I think the greatest issue of our time is the disparity of wealth and the problems that exist for the lower 40% of the population,” he said. “If you carve out that lower 40%, not only has there been no income growth, but death rates are rising because of opiate use, suicide, and because they’re losing jobs.

“This is the biggest issue of our time – the biggest economic issue, the biggest political issue, and the biggest social issue.”

The Capgemini report said there are now 14.9 million “millionaires next door” – Capgemini’s term for those with investable assets of between $1m and $5m. This group grew by 7.4% in 2016.



3
4

Guardian graphic I Source: Capgemini Financial Services Analysis, 2017. Note: HNWIs have investable assets of US$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables

The rate at which rich people tipped over the threshold to become ultra high net worth individuals – people with investable assets of more than $30m – grew at 8.3%. This was more than double the increase in 2015 and there are now 157,200 people in the ultra-HNWI bracket, according to the survey. These people collectively hold $22tn of assets – almost 10 times the UK’s gross domestic product.

“Ultra-HNWIs, with $30m or more in investable assets, posted striking improvements in wealth and population, thanks in part to an upswing in Latin American economic performance,” the report said. “Because Latin America accounts for more ultra-HNWI wealth than any other region, it holds significant sway over the segment’s overall growth.”

Vibrant growth in Latin America helped lift global ultra-HNWI wealth by 9.2%, up from an increase of 2.5% in 2015.

The UK dropped out of the world’s top five countries that HNWIs call home, with France pushing Britain into sixth place. The UK fell down due to the drop in the value of sterling after Brexit, and France’s tally was boosted by from share price growth.

There were 568,000 HNWIs in the UK, up slightly 553,000 in 2015. In France the number grew from 523,000 to 579,000.

By far the most wealthy people are in the US, where the HNWI ranks grew by 8% to 4.8 million. Japan comes in second with 2.9 million, followed by Germany (1.3 million) and China (1.1 million).