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Even the Super-Rich Can't Save the Economy

THE WEALTH REPORT

Robert Frank looks at the lives and culture of the wealthy.



With housing in the dumps, markets in a mood swing, and credit in a crunch, consumer companies are looking for saviors. Their latest hope: the super-rich.

The wealthy, by some measures, are now responsible for the biggest share of consumer spending in the economy, with the top 20% accounting for more than half of all consumer spending. As I've [written before](#), every consumer company seems to be targeting the rich.

Wealth, simply put, is where the money is.

But will the rich keep spending through the market turmoil? And will their spending be enough to keep the economy from tanking?

[My column](#) today points out that the rich may be more insulated from the swings in the financial market and the job market, but they're not immune. Today's rich owe much of their fortunes to financial markets — whether it's hedge funders investing the money or entrepreneurs cashing out through IPOs or mergers. And the rich have also relied, in part, on debt to fund their lifestyles.

I note in the column that sales of wine and race horses this week showed some signs of slower price growth. Demand is still strong, but the rich may be growing more cautious about paying sky-high prices for their favorite things at auction.

A new survey from Prince & Associates and Elite Traveler magazine shows that while the very rich plan to keep on spending, mere millionaires may start pulling back.

According to the survey, more than three-quarters of households worth between \$1 million and \$5 million said they were concerned about the recent market volatility. About half said they would cut back on discretionary spending as a result, and more than three-quarters said they would need to make “a major lifestyle change” if markets continue to weaken.

Among households worth \$25 million or more, only 5% said they were concerned about market swings. Only 2% said they planned to cut back on spending, while 9% said they would need to make a major lifestyle change if markets weaken.

The super-rich plan to spend big in the coming months. The survey found that 99% of families worth \$25 million or more plan to spend \$10,000 or more on jewelry by year's end (granted,

\$10,000 is a starter bracelet for this crowd). All of them plan to spend more than \$10,000 on fashion and accessories.

But while the super-rich may help soften the economic blow, even their outsized spending may not make up the slack. The problem is there are so few of them. There are only around 100,000 families in the U.S. worth \$25 million or more, compared with 1.4 million families worth \$5 million or more. So even if all the uber-wealthy spend \$10,000 on jewelry and handbags, they can't balance the falling housing market.

Hats off to the super-rich for their continued spending. But we better not pin our economic hopes on a trickle-down effect from jewelry or yacht sales.