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PLUTOCRATS: The Rise of the New Global Super-Rich

CHRYSTIA FREELAND

Allen Lane, 352pp

The cover of *Plutocrats* shows a private jet parked in the driveway of an American suburban home — a stark representation of how the super-rich have supplanted the middle class in the world's values system. In the 25 years since Oliver Stone's *Wall Street*, the super-rich have become vastly richer and more numerous.

"They started roaming the globe together as global high-rollers and the differences between them and the rest of the world became exponential," billionaire's daughter Holly Peterson tells Chrystia Freeland. "It was no longer just Gordon Gekko. It developed into a totally different stratosphere."

What is more, writes Freeland, "the plutocrats are becoming a transglobal community of peers who have more in common with one another than with their countrymen back home... today's super-rich are increasingly a nation unto themselves."

When she interviews Google CEO Eric Schmidt, he explains the annual progress of destinations for this premium nomadic tribe: "There's Davos. There's the Oscars. There's the Cannes Film Festival. There's Sun Valley. There's the TED conference. There's Teddy Forstmann's conference. There's UN Week, Fashion Week. In London, there is Wimbledon Week, which is the last week of June. These have become global events, when they were local events."

Wimbledon is a fortnight long, of course, but this audience is not interested in the early stages. Schmidt forgot to mention Frieze and Art Basel Miami Beach, but you get the picture.

Freeland is editor of Thomson Reuters Digital and a former deputy editor

of the *Financial Times*, and her first book, *Sale of the Century* (2000), described the emergence of the Russian oligarchs. She knows whereof she speaks. In this brisk survey of the global super-rich, she combines reportage, anecdotes and interviews with sharp analysis drawn from learned economic journals, drawing on the theories of Alfred Marshall, Irving Kristol, Peter Drucker and Sherwin Rosen, among others.

As many *Spear's* readers will appreciate, "providing superstar services to the plutocrats is one way to join them." Freeland is in no doubt that "much of the story of the rise of the 1 per cent, and especially of the 0.1 per cent," she writes, "is the story of the rise of finance." But she points out that inequality is increasingly a problem, not only between the 99 per cent and the 1 per cent but also between the 1 per cent and the 0.1 per cent, the merely rich and the very rich. This spells danger. Billionaire envy is supposedly what impelled the multimillionaire media magnate Conrad Black to commit fraud, according to his biographer Tom Bower and US prosecutors.

But what happens if the aspirant rich come to believe that they are being shut out by the 0.1 per cent? "In a democratic age," says Freeland, "the super-elite can survive only if every millionaire's convinced he has a billionaire's baton in his knapsack."

Freeland does not approach the problem of the super-rich from the conventional vantage point of the left,

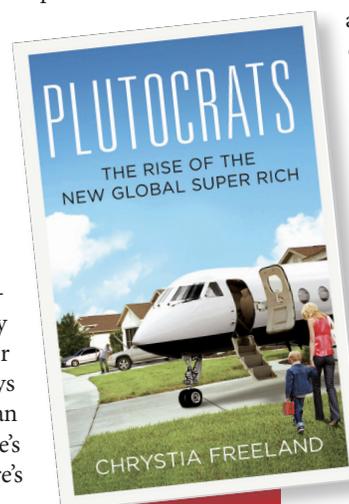
What happens if the aspirant rich come to believe that they are being shut out by the 0.1 per cent?

nor does she demonise them, but she does have an ethical vision. "A vision of capitalism without the cronies" is "something we can all subscribe to," she writes. Her hero, if you like, is Henry George, the 19th-century economist who identified rentier capitalists as the villains of the first Gilded Age. Now that we are in the midst of a second Gilded Age, there is a similar problem with "rent-seeking." Many of the global super-rich have made their fortunes not by creating wealth but by re-allocating resources away from the rest of us.

In Russia, the oligarchs raided the privatisation process, in China they benefited from privileged access to state-controlled land and capital, and in India they simply paid bribes to obtain government contracts, while in America crony capitalism used lobbying and the threat of financial meltdown to extract taxpayer bailouts. Freeland describes China as "a rent-seeker's paradise," but Wall Street's "cognitive state capture" of the regulators has been equally effective. Her critique of rent-seeking is not far from Joseph Stiglitz's in *The Price of Inequality*.

Fifteenth-century Venice became an extractive society when it produced the Book of Gold, an official registration of its nobility. This process was called *La Serrata*, the closure. Freeland argues that the global super-rich are engaging in their own *serrata*. They educate their children at elite universities in what has become "an intergenerational form of rent-seeking" and they float from one tax jurisdiction to another in "their own global gated community."

What is needed, Freeland argues, is a healthy dose of creative destruction. This will be in the best interests of the plutocrats as it will preserve the system that created them. Still, she has no idea how we shall get there. *f*



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