Important points from article “The few”, cover story “The rich and the rest”, magazine The Economist from London, Jan 22-28, 2011

1. USA has help group viz. Tiger21. Only those with more than investible $10m (Rs 5.4 Cr) of investable assets are eligible for membership

2. The new elite are people who shape the world without noticing without any one noticing i.e. those with enough brains, money or influence to affect large number others e.g.
   - Some are influential because they have compelling ideas or have skills at popularizing others
   - The brainy toilers at Think Tank in Washington DC (or may be at other places), they do not earn enough to be admitted to Tiger 21, but they yield immense influence over public policy
   - The propagandist e.g. Al-Queda lives in caves but effect life everywhere

The big change over past century is that elites are increasingly meritocratic and global. The richest people in advanced countries are not aristocrats but entrepreneurs such as Bill Gates. The most influential are those whose inventions change life in many countries (think of Facebook) or whose ideas are persuasive (think of amnesty international). The global elites are cosmopolitan bunch, yet are far from rootless. Indian tycoon forge deals with ethnic Indians throughout the world. Chinese scientists collaborate with Chinese scientist in Cambridge. Clever well educated people are increasingly marrying each other and raise clever well educated children.

World’s Plutocrats

Plutocracy is rule by the wealthy, or power provided by wealth. The combination of both plutocracy and oligarchy is called plutarchy. The wealthy minority exerts influence over the political arena via many methods.

Most western democracies permit partisan organizations to raise funds for politicians, and political parties frequently accept significant donations from various individuals (either directly or through corporations or advocacy groups).

Capgemini, a consultancy firm defines any one with investable assets of $1 m or more (excluding their home) as “high net worth individuals”. By conservative measure the planet has 10 cr. In case all assets including home etc is included estimated number is 24.2 millions in mid 2010 (0.5% of world adult population). They control more than one third global assets i.e. $69.2 trillion. Some 41% live in USA, 10% in Japan and 3% in China. Only 16% HNI inherited their stash. The common way to get rich is to start a business. Nearly half (47%) of the world’s wealthy people are entrepreneurs. Another 23% World’s rich millionaire got rich through paid work. Median pay of CEOs of 456 large quoted firms in USA was $7.23 million. For the first time number of rich people in Asia was same as Europe, each 3 million at $9.7 trillion

More money more say: The global wealth pyramid has very wide base and a sharp point. The richest 1% of adults control 43% of the world’s assets and wealthiest 10% have 83%. The bottom 50% have only 2%, this suggests a huge disparity of influence at the apex of the pyramid there are 81000 people with assets more than $50m, of these some 30000 have more than $100m and 2800 have more than $500m. Total global wealth rose by 72% between year 2000 to 2010 to $200 trillion. Number of adults in the world rose from 3.6 billion to 4.4 billion, average wealth per person rose from $30700 to $43800

3. The rise and rise of cognitive elite, brains bring larger rewards

The most common measure of inequality is Gini coefficient. A score of zero means perfect equality, every one earns the same. A score of one means that one person gets every thing. America’s Gini coefficient has risen from 0.34 in 1980 to 0.38 in mid 2000, in Germany it has risen from 0.26 to 0.3 and in China from 0.28 to 0.4. Surprisingly over the same period global inequality has fallen from 0.66 to 0.61 because poorer countries, such as China have grown faster than richer countries. As per Richard Wilkinson and Kate Pickett of UK “inequality is important as greater inequality leads to more crime, higher infant mortality, fatter citizens, shorter lives, more
teenage pregnancies, more discrimination against women etc”. More equal countries are more innovative, as measured by patents earned per person. As per critics book’s statistical claims are mostly bunk. The Pew Global attitudes project asks people in various countries whether in their view “most people are off in a free market economy, even though some people are rich and some are poor”. In Britain, France, Germany, Poland, America and even Sweden most people agree, but in Japan and Mexico most disagree. People in countries that have has and now booming are most enthusiastic: 79% of Indians and 84% of Chinese say yes.

**Degrees of fairness:** In most corrupt countries the rulers simply help themselves to public money. In mature democracies power is abused in more subtle ways. In Japan, for example, retiring bureaucrats often take lucrative jobs at firms they used to regulate. In America, too, ex-politicians often walk into cushy directorships when they retire. The most lucrative careers as law, medicine, technology and finance, all require above average mental skills.

**The clever shall inherit the earth:** As technology advances, the rewards to cleverness increase. Highly educated, double income power couples have become far more common. The opportunity costs of child-rearing are far higher for a woman earning $2 lacs per year than others. The cost of higher education has contributed to plummeting birth rates among pushy parents in other rich countries, too.

**Not for sale**

Cash seldom buys political power. What counts are ideas and the ability to inspire

The political view of politics is that it is all about money. This is an exaggeration. Barack Obama started with nothing, against an opponent Hillary Clinton, who started with both money and connections. He ended with up raising more cash because he inspired people.

**Beautiful Chaos:** Technology has made it cheaper and easier for ordinary people to organize themselves. Mr Ricken Patel, a Canadian activist, has built up a progressive campaigning group called Avaaz from nothing to seven million members in only four years, and on a trivial budget, by exploiting power of web. Internet helps talented new comers to become famous fast. It is also true that in 2008 cost of all federal election of USA was $5.3 billion. Lobbying of coal firms has helped to stymie American action against global warming. But it was not biggest obstacle to reform, but voters hate high energy bills.

**The power of ideas:** The big movements of the past century- communism, fascism, democracy, liberalism-have all been propelled by big ideas, good or bad. So the people who influence government the most are often those who generate compelling ideas or supply them to the right politicians at the right time. American think tanks are more influential than those in other countries. They are often well funded.

**The world’s water coolers**

Where world’s influential people meet and talk

The world is a complicated place, with oceans of new information sloshing around. To run a multinational organization, it helps you have a rough idea of what is going on. It also helps to be on first name terms with other plutocrats. So the cosmopolitan elite- international financiers, bureaucrats, charity bosses and thinkers-constantly meet and talk. They flock elite gatherings such as world economic forum at Davos, the trilateral commission and the Boao meeting in China. They form clubs. Ethnic Indian entrepreneurs around the world join TIE (The Indus Enterprise). Movers and shakers in Washington join the council of Foreign Relations, where they can listen to global VVIP.
Global universities are “reshaping the world” argues Ben Wildavasky, the author of “The Great Brain race”. The number of people studying outside their home country was 3.3 million in 2008. America hosts 19%. Two third post graduates who study abroad choose America. In some of the hardest disciplines most post grads at American Universities are foreign: 65% in computing and economics, 56% in Physics and 55% in Mathematics. MIT alumni had funded 25800 companies in 2009 that were still active, employing 3.3 million people and generating $2 trillion. It is very entrepreneurial culture. In 20th century technological progress was driven by the convergence of engineering and physics, which yielded electronics. In 21st century the hot area will be convergence of engineering and Biology. MIT is posting its course material on the internet. Nearly everything from texts to videos of lectures, is available free on internet, some 70 million people have used it. The university promotes collaboration across boarders too. It finds internship abroad for its students and operates a raft of joint ventures with foreign academics to improve urban planning in China and poverty relief in India. Nearly half of Kennedy School’s student are foreign. Alumni includes many international VVIP. The world’s best universities recruit from a global talent pool for both students and staff. A Stanford graduate can find other influential Stanford graduate any where in the world. By a popular Chinese ranking, 17 of world’s leading 20 Universities are American. Lots of them are very rich. They also win a disproportionate share in Nobel prize. This is an important soft power for America. As per late Samuel Huntington, A Harvard Professor, in his 1996 book “The clash of civilizations and the remaking of world order”, fretted that globocrats have little need for national loyalty” and see national governments as relics “whose only useful function is to facilitate the elite’s global operations. That may be true of a few, but ethnic and national loyalties remain strong.

Tribes still matter: How global leaders tap into Diaspora networks

How global leaders tap into Diaspora networks

Hundreds of Indians can not prove they exist. They have no birth certificate or social security number etc. Mr Nandan Nilekani, an Indian software billionaire, volunteered to give every one of his 1.2 billion compatriots an identity tied to Biometric data. Mr Nandan Nilekani turned to the Indian diaspora for help. He called up ethnic Indians who had done well in Silicon Valley. The team assembled in Bangalore, set up a white board in a rented apartment and started brainstorming. Mr Nandan Nilekani thinks all sort of services can be grafted on to national ID number. Brainy globetrotters are rarely rootless. Even the most cosmopolitan usually feel an affinity with others who share same language, culture or heritage. That is why diaspora networks are so powerful, and why some of the world’s most influential people rely on them so heavily.

Some diasporas are vast and global. For example, there is an estimated 25 million non resident Indians and 60 million overseas Chinese, including significant numbers in nearly all countries. They create a web of cross border connections. Diaspora network speed the flow of information, the life blood of Science and commerce. They also foster trust.

World wide web of migrants: Network of exiles dominate trade in many parts of the world: The Indians in east Africa and parts of Caribbean, the Chinese in South-east Asia and so on. A disproportionate number of prominent business people come from migrant families. Migrants form bridges between the countries they live and the ones they hail from e.g. 70% of FDI in China comes from such persons. They have three advantages: they speak the language, they understand the culture and they have connections.

Asia’s new aristocrats
What Indians and Chinese make of their tycoons

India’s movers and shakers all seem to know each other. The Indian elite have created their own islands, frowns a cabinet minister. A few made their fortunes corruptly, but the software moguls of Bangalore created a huge export industry out of nothing, and many others helped to spur India’s galloping growth. Some gazillion Aires are flashy. Mukesh Ambani’s house has 27 stories, three helipads and three floors of hanging garden

Wealth per person in India has increased from $2000 to $5000 per person in last decade.

The relationship between poor and rich in China is different. China’s stellar growth has lifted 500m people out of poverty. They have built marvels, from skyscrapers of Shanghai to factories in Guangdong. Yet China’s mainland business leaders operate in shadow of secretive and unaccountable ruling party. To get on many join it. Some do it so reluctantly, to avoid being crushed. Others do it gladly, hoping to use state power to enrich themselves. The party’s tentacles are everywhere. State owned firms do its bidding. Private firms must avoid offending it. Projects it supports make rapid progress. But since the party is accountable neither to voters nor the law, there is little to prevent its bosses from abusing power. Local leaders levy taxes that have no basis of law. China has 8 lac, dollar millionaire, but also 400m people who live on less than $2 a day. City dwellers earn two and half times as much as rural China. A system of residence permits is called hukou. The hukou system was designed to help the party control the people. But by creating two Chinas, it is building up tensions that one day could explode

They work for us

In democracies the elites serve the masses

Mr Bill Gates and Warren Buffet, the two philanthropist, advice those who have more money than they can ever spend on themselves, should consider spending on others. Philanthropy has a long history. Now they are often young, energetic and intellectually gifted. Modern philanthropist are typically self made, so they are used to getting things done. They measure their success in number of life saved or improved. Such people are often workaholic and have no wish to retire.