

The World's Richest People: Excessive Wealth Disorder Is Destroying Our Societies

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Global Research, March 29, 2021

Theme: [Global Economy](#), [Poverty & Social Inequality](#)

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David Rothkopf wrote a book about the world's richest people called Superclass. In it he noted that 161 people control \$23 trillion, and that the incomes of the top 25 hedge fund managers are approximately \$800 million per year each.(1) Other writers discuss the richest 0.1% of the population, who have incomes of over \$2million per year in the US.(2)

They have coined the term Excessive Wealth Disorder to explain that when some people are too rich, this creates big downsides for many other people, and for society in general. This post discusses some of those downsides.



This post should ideally be read in conjunction with earlier posts that explain that excessive wealth is extracted by controlling an industry, receiving many types of unearned income (known as rent-seeking) and all manner of unethical, fraudulent or criminal activity. Excessive wealth is a symptom of an economic system that drains wealth from everybody else, because the biggest companies have enough power to exploit employees, suppliers, customers, governments and the environment. These people have not ‘earned’ their wealth. They became rich because they understand how the system is rigged.

Property and Land

The buying power of rich people can drive prices upwards so that poor people cannot afford things. This is most noticeable with property. If we allow rich people to buy as many properties as they wish in any country, then property prices in certain areas, like London, New York, and other major cities, go up.

Historically, houses in the UK cost approximately four times average earnings. Now, in London and other expensive locations, homes cost ten times average earnings.(3) Many

people now spend over half their income on rent or mortgage payments.(4)

New construction is geared towards maximising profits for any given plot of land, so affordable housing is replaced with expensive housing that is mostly bought by people with excess wealth from around the world.(5) In London, 70% of new properties are sold to foreign investors, whilst poor people are forced out of their homes in what is known as 'social cleansing'.

Wasted Energy, Wasted Time, More Costs, Lower Standard of Living

Building a property requires large amounts of energy and resources. If we want to minimise global warming and the depletion of resources, then we will have to stop wasting energy on buildings that we do not need. Additionally, if people own multiple properties in different countries, they are much more likely to fly back and forth, again wasting large amounts of energy.

Lots of properties sit empty much of the time, because they are bought primarily as an investment rather than a home. This has been described as a 'desert of wealth.'(6) Ordinary people cannot afford them, so people who want to work in these cities have to commute further and further, increasing congestion, increasing costs for transport, and increasing energy consumption. When people spend more time travelling, they have less time to do other things, or to spend with their families, and many of them experience more stress.

Silicon Valley

Silicon Valley in the US, where many technology companies are based, is an excellent example. One commentator explained that billionaires there buy surrounding properties as a 'privacy buffer'. They "play real-life monopoly, buying up houses on their blocks and down the street for family, staff, art collections, or to hold political and philanthropic events."

Homes in Silicon Valley are too expensive for teachers, firemen and other public servants, who end up commuting up to 2 hours each way.(7) Alternatively, people on low pay share rooms, with one commentator saying that they had come across extreme cases of 6 people sharing a room. Many students at local schools are homeless, living in trailers and shelters.

Property is the biggest item of expenditure for many people. Expensive homes (and higher spending on transport) leave poorer people with much less to spend on everything else. This means that they have a significantly lower standard of living. This has additional knock-on consequences for the rest of the economy. They spend less at other businesses, so it becomes more difficult for businesses to survive.

High Land Rents Are Too Expensive for Local Companies

The value of land for building expensive homes means that other activities that cannot generate high revenues are no longer viable. Councils sell city hospitals so that the land can be used by property developers.(8) The hospitals are relocated out-of-town on cheaper land, which is much less convenient for many patients, but profitable for the council, and very profitable for the property developers.

Higher land values tend to increase business rents. This is fine for big international companies, such as McDonalds, but smaller or local businesses are unable to afford the rents, so more towns become clones with the same big chains. The general pattern is for

small or local businesses to be priced out of the area. It becomes difficult for new, small businesses to get started. High business rents generally get passed on to customers in higher prices. This creates a general increase in the cost of living. Businesses selling high-priced coffee are of more relevance to the middle class than to the poor, who cannot afford it. In developing countries, large swathes of major cities contain only businesses that serve wealthier people. Many of the dominant businesses are international, so profits go overseas, leaving less to circulate locally.

Some local businesses, with strong ties to their communities, have benefits that go beyond economic, and are considered culturally important, but they cannot survive.(9) Local cultures are destroyed, and it becomes difficult for people with the wrong skills to earn a living in the area. Poorer communities are no longer able to easily access the businesses and services that might be useful for them.

Distorting The Economy

There have been people serving the interests of big companies for many years. This includes management consultants, corporate lawyers and lobbyists. In 2005, a report by Citigroup explained that there were going to be big profits to be made from servicing the needs of individuals with excessive wealth.(10) This has led to the creation of another layer of very well-paid jobs, such as wealth managers, tax specialists, offshore account experts, private bankers, and personal lawyers, whose main role is to serve the rich. Britain has actively changed its policies to attract excessively wealthy people. It has become the tax-dodging capital of the world, as hundreds of accountants, often from the Inland Revenue, are recruited to manipulate the tax system.(11)

Many well-educated people go to work for financial companies (particularly before the 2008 financial crisis) where their work is of no benefit to society in general. In fact their work ends up making society worse off, as it involves re-structuring the economy to enable shareholders and executives to extract more wealth from everybody else.

People with excessive wealth have so much money that they spend large amounts on status symbols. As with houses, the bigger luxury items, such as yachts, private jets, helicopters and cars like Rolls-Royces (many luxury car owners own many vehicles) use many resources to build, and use lots of energy to move because they are heavy. Pollution by the rich is on an altogether higher scale than pollution by everyone else, particularly in relation to the use of private jets, even for an occasional flight by their pets.(12)

Rich people are more likely to spend money in ways that do not benefit the majority of people. They buy imported luxury goods, such as jewellery, watches, expensive clothes, wine and cigars, and they participate in exclusive activities such as polo.(13) In some areas, such as expensive paintings, their wealth circulates in a parallel economic system, moving only between the bank accounts of the rich.

The System That Creates Excessive Wealth Causes Poverty

Advanced nations have not grown very much for the last two decades. This means that if some people are receiving more, others are receiving less. This is known as a zero-sum game. Most people in Britain are made poorer by a small amount over and over again because they pay more than they should for loans, credit card borrowing and hire-purchase agreements; for water, sewerage, electricity, gas, energy, food; for computers, phones, TVs

and other electronic devices. Excessive wealth for a few people comes from the pockets of the majority. Similarly, if executives can negotiate lower pay for their employees or their suppliers, then the executives and shareholders get richer because others receive less.

The world's richest person, Jeff Bezos (CEO of Amazon) makes himself wealthier by exploiting garment workers in Bangladesh, and other staff all over the world. He also uses a business-model that is excessively-damaging to the environment, using huge amounts of packaging and energy, creating large amounts of waste and contributing to climate change.(14)

Similarly, more and more people are employed with little job-security, on zero-hours contracts.(15) This has far more impact than most people realize. Uncertainty of income makes it difficult to make long-term plans. It is difficult to buy a house, or even to agree a rental contract. Borrowing money becomes more difficult, so more people are forced to use high-interest payday lenders.

The existing economic system is built around the poorest people receiving less income, and having to pay more for everything, including basic necessities. In other words, the system that creates excessive wealth is a direct cause of poverty. Some readers might be shocked by this idea, as the mainstream media, and mainstream economists, never link the wealth of billionaires with the causes of poverty. But if you want to understand poverty, you have to study the role played by the rich in structuring the economy to benefit themselves.

It is much easier to see with examples in developing countries. These countries still have groups of people with immense wealth. They run the country, and rig the system, so that they can extract wealth from everyone else, and put it into their pockets. Some of them are literally stealing the wealth of the nation.(16) Millions of people are struggling to survive, because their rich politicians have consciously chosen not to provide food, water, sanitation, healthcare, education, and other essentials needed for development. The same is true in rich countries, but with less dramatic effects. We get more and more people queueing at food banks and in need of assistance, because the economy is structured to concentrate wealth into the hands of a few people.

The Psychology of Excessive Wealth

The psychological effects of excessive wealth have not been thoroughly studied. People tend to judge themselves relative to others. If we see people with immense wealth flying all over the world, and their lifestyles are presented as desirable, then many other people will aspire to those lifestyles. Even those who have substantial wealth by normal standards still feel they want more. We begin to see owning multiple properties and having large numbers of foreign holidays as an automatic right, without questioning the downsides. The evidence shows clearly that beyond a certain level, more money does not make people happier. An important aspect of happiness involves being satisfied with what we have. This becomes more difficult when we are surrounded by propaganda celebrating excessive wealth.

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Notes

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