Where did the Wealth go?

- After twenty years of WTO: only 26 countries are beneficiaries of globalization

Basel Institute of Commons and Economics

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Only 26 out of 173 countries benefit

173 Countries

73 Countries have a share of more than 0,1 per cent in GDP

64 countries have a share of wealth of more than 0,1 per cent

26 countries have a higher share in wealth than in GDP

Method: outcome instead of declarations

It was in 2011 when the Italian *Guardia di Finanza* started to control luxury cars and yachts instead of tax declarations.
The idea behind was that successful economic activity creates wealth and wealth yields an outcome. If we take the outcome we can know the income.
If we want to know where wealth goes we've been using the same way: The IMF (International Monetary Fund) tells us in their Economic Outlook the shares countries had on the World's GDP.
So if a country has an important share such as e.g. Nigeria with 0,98 per cent of the world GDP the outcome has to be somewhere.

The Global Wealth Databook 2014* of Credit Suisse, is tracking the private wealth. Nigeria e.g. only has 0,1 per cent of the global wealth, exactly 274 billion dollars.
The difference between the two shares is 90 per cent. So where did the money go?
There must be countries with a big difference between their share in GDP and their share in wealth.

*Due to the method countries with a wealth share below 0,1 per cent (between $ 0 and 274 billion) are not included in the GDP-Wealth-Ratio. Neither are Luxembourg, Monaco, Liechten-stein and smaller tax heavens.

Country	Surplus
Switzerland	341
Australia	265
Italy	249
France	241
United Kingdom	238
Belgium	233
Sweden	225
Denmark	217
New Zealand	214
Canada/Japan	197
United States	195
Austria	167
Norway	161
Germany	160

Wealth share as a percentage of GDP share

When the wealth leaves…

Country	Remaining share (per cent)
Equador	59
Mexico	50
China	49
South Africa	48
Brazil	42
Turkey	28
Indonesia	25
Russia	24
India	21
Bangladesh	20
Saudi Arabia	13

Remaining share of wealth as a percentage of the share in GDP

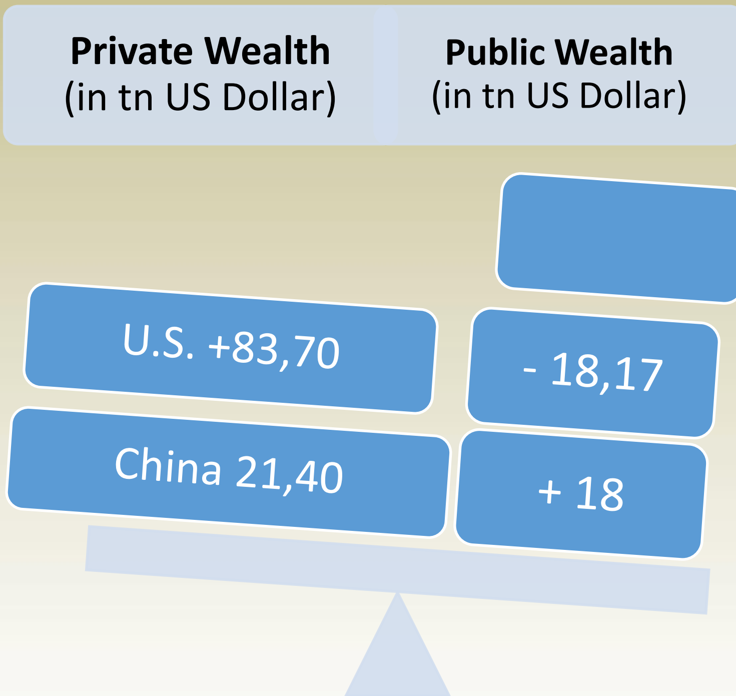
While looking at the remaining share of wealth as a percentage of the share in GDP and comparing the figures with the table of the surplus countries we may recognize:

- Twenty years after the foundation of the World Trade Organization (WTO) the so called „globalization“ has produced an imbalance such as it existed in the colonial times.
- Neither commodities nor export production create sustainable domestic wealth.
- The private wealth created in these countries obviously moved allegedly to the countries showing a high surplus.

China and Russia seem to have a loss of wealth but this loss is compensated by the public wealth. Our table only shows the imbalance of private, not of public wealth.
In the next step we will compare the total of private wealth with the total of public wealth.

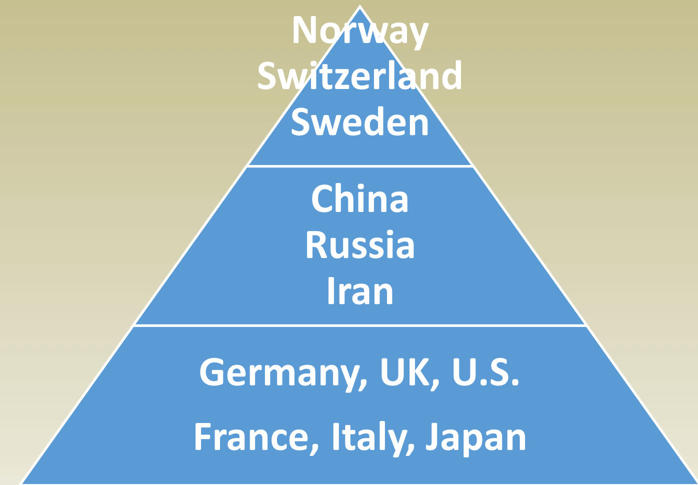
Rarely balanced: public vs. private wealth

Private wealth – public losses?



Two extremes: despite an almost equal GDP share of 16 per cent each the U.S. (- $18,17 trillion) and China (+ $18 trillion) differ in the relation between public and private wealth.

The pyramid of public wealth



In Norway the private wealth ($1,34 tn) is near the size of the public wealth ($900 bn). As well Switzerland ($500 bn) and Sweden ($70 bn) have remarkable public assets. In China ($ 21,4 tn), Russia ($2,15 tn) and Iran ($224 bn) relatively small private property faces a much higher public property. In the G-7-States due to the sovereign debt public property is negative.

Sources: IMF, Credit Suisse, own estimates

The biggest surprises

The perspective of the GDP-Wealth-Ratio brings up a lot of surprising results:

Greece	Singapore	Italy	Germany	Ukraine	Taiwan	Qatar	Luxemburg
1,01 tn/154%	**1,15tn/98%**	**12,5tn/249%**	**14,1tn/160%**	**85bn/10%**	**3.36tn/137%**	**200bn/**	**134bn/**
Broken Greece has private wealth in the size of Hong Kong, exactly $ 1,01 trillion mostly in real estate. Repaying the sovereign debt is no problem – if Greece conducts an asset levy on real estate.	With only 98 per cent of the GDP share private wealth is not over the average – effect of the tax heaven? Or due the remarkable public wealth of $ 320 bn in the Singa-pore Investment Cooperation?	Frankly: who would have expected Italy to being the number three benificiary of the world's wealth? Most of the Italians own real estate at a high price level but buy Italian state bonds as well. Repaying sovereign debt? No problem.	Less wealth than France? It seems that Germany is far behind the real champions of private and public wealth. Half of their stocks belong to foreign investors yet. Real estate is still cheap. Salaries are low, taxes high.	With a share of 0,34 per cent of the world's GDP Ukraine is at the level of Chile (0,38) or Austria (0,36). But the wealth of $ 85 bn only makes the Ukraine the poorest industrialized country of the world. Ready for the EU? No.	The 17 million adults of Taiwan own a fortune of 3.36 trillion Dollars – and this after two decades growth in and shift to China Mainland. Stop: despite or because?	480 k inhabitants own a fortune of $ 200bn. And have a share of 0,3 per cent in the world's GDP. 226 bn moved to the Qatar Investment Authority fund. So the public wealth is more than the private one.	543k citizens without any commodities or industry (which Switzerland and Quatar have) own amazing $ 134bn. Tax heaven services pay out if you're located between Germany and France.

Leading in all respects – the unilateralism of benchmarks

Wealth-GDP Rank	Rank Overall Benchmark
1 Switzerland	1
2 Australia	9
3 Italy	25
4 France	19
5 UK	16
6 Belgium	24
7 Sweden	2
8 Denmark	12
9 New Zealand	7
10 Canada/Japan	3/18
11 United States	20
12 Austria	5
13 Norway	4
14 Germany	10

In the next step we compare the rankings of the GDP-Wealth-Ratio with the overall ranking. The overall ranking is composed by the average position of a country in the following eight indices:
1 Global Peace Index
2 Happy Planet Index
3 Human Development Index
4 Environmental Sustainability Index
5 World Giving Index
6 Credit Suisse Global Wealth Databook
7 Global Competitiveness Index
8 Transparency International Corruption Perceptions Index 2010

- Eight out of ten overall benchmark leaders can be found among the Top 14 of GDP/Wealth
- No GDP/Wealth leader can be found at ranks below rank 25 of the overall benchmark
- All G7 countries are on top of the list
- The ten European countries are direct neighbors

The overall benchmark rankings are taken from the Global Index Benchmarks 2011 (Basel Institute of Commons and Economics)

Conclusions and learnings

Some conclusions to discuss:

- Free trade doesn‘t automatically promote the owners of commodities, the suppliers to upmarket production and the exporters of cheap mass products.
- No division of labour: the major beneficiaries of the world‘s trade still run a remarkable industrial sector and even agriculture on their own.
- No matter of system: a vast public wealth can be found as well in market economies as in socialism and autocratic countries.
- A matter of time: most of the major beneficiaries have built up their country and social capital over centuries.
- Unilateralism: the best in the GDP-Wealth-Ratio are as well overall benchmark leaders in 8 indices.

How can the imbalance be demished?

- Asset levies in the 26 beneficiary states could diminish sovereign debt and allow to giving more credits to the poorer countries.
- Governmental funds and property such as in Norway, China, Qatar, Singapore, Alaska and Russia can keep and develop public wealth.
- Countries with a strong deficit in sovereign wealth have to build up their social capital in order to bonding their wealthy citizens to their community
- Richer countries can share their wealth without requiring a redemption or a regime change.

About the Basel Institute of Commons and Economics

The Basel Institute of Commons and Economics has been founded in 2009 as an answer to the challenges of the World's financial crisis.
The Institute is recommended for it's proposals to repay sovereign debt in Germany and Austria, for the development of the *Basel Criteria* for the European sovereign debt and for the Social Capital Assessment that takes place in 90 countries today.

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