
THE DAWN OF THE ASIAN BILLIONAIRE

Op Ed by Dr Rory Knight



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Once being a millionaire really meant something, whether denominated in pounds sterling or dollars. Not any more. As an American businessman recently commented to me, 'Millionaires today ain't worth spit! Hell, with their houses and pension plans most of my shop floor employees are paper millionaires.' No, to really count nowadays you've got to be a billionaire and preferably a multi-billionaire. Increasingly, though, billionaire-dom is not all that rare a pinnacle to scale. All the time numbers are on the rise. Taking into account only a select set of countries of those that have more than twenty billionaires, their numbers now total 1,580 according to an eye-opening new analysis by UBS and pwc (see table 1 for details). Last year alone their numbers increased by 10%. And billionaires are getting richer all the time. Globally, their total wealth rose last year by 17.5% to top \$6 trillion - a six-fold rise from the level in 1995 which easily outpaces the MSCI all country world index's four-fold rise over the same period.

Heading the list is Amazon's Jeff Bezos, whose wealth has now reportedly spiralled to over \$100 billion in the wake of this year's Black Friday online sales, knocking Microsoft's Bill Gates off his equivalent one-time perch given the diversion of a sizeable chunk of the latter's wealth to good causes - a characteristic feature of new billionaire behaviour to which I will return later in this article.

"UBS reports Asian billionaires exceed US for the first time."

But the most astounding aspect of the new billionaire phenomenon is its shift to the east. For the first time Asian billionaires now outnumber those in the United States - by 675 to 563. Powered largely by the emergence of new Chinese entrepreneurs, the number of Asian billionaires rose by almost a quarter last year. Every second day on average a new Asian billionaire sees the light of day! By contrast America could only boast of 25 new entrants last year - a mere 5% rise in total numbers. China with Hong Kong have 387 billionaires, and India is coming up fast with 100 despite its billionaire-unfriendly policies of the recent past. Europe lags behind with 342. That said, the US accounts for the greatest concentration of billionaire wealth, being still the home of the world's richest individuals. But Asia and especially China is catching up fast. The aggregate wealth of Asian billionaires rose by almost a third in 2016, and on current trends it will overtake America's within four years.

Korea breaches the top ten

Korea, overtaking Japan at twelfth place, has now entered the top 10 for the first time, as table 1 shows. This is an extraordinary achievement and reflects the extent to which Korean firms have created wealth through innovation. Hong Kong billionaires remain the richest in Asia with an average wealth of \$4bn in contrast to the \$2.4bn average enjoyed by Korean billionaires (see table 2). However Korea is very much holding its own with aggregate wealth of over \$90 billion, which will continue to accelerate if the Won continues to hold strong against the US dollar.

What is driving the new billionaire phenomenon? No doubt rising stock markets worldwide and buoyant retail growth have helped spawn many billionaires (some of whom may not remain in the club if there is a significant downward correction). But there is far more to it than a rise in the value of stocks and shares. In 2016 the biggest jumps in billionaire wealth by sector came from technological innovation (23%) and, reflecting that, the creation of new industrial enterprises (28%). The contribution of the financial sector and retail markets only accounted for 16% and 8% respectively. And underpinning everything is the accelerating adoption of liberalized free market economic models in Asia. Europe

preserves a long historical trend for family business to stay private, and in this regard European billionaires could best be described as 'old money'. In Asia, by contrast, 63% of its billionaires are associated with public companies, compared to 40% in Europe and 37% in the US. In the case of the US this reflects the trend of new technology companies relying more on private equity to raise funds and being slower to exploit public markets. Korean billionaires are much more associated with public companies than is the case in the US and Europe. Although *chaebols* loom large on the list of Korean billionaires, they are mostly associated with public rather than private companies resulting in a 9:1 split as table 2 shows. Similarly, Japan has an above average reliance on public markets with 85% of the billionaire companies being publicly listed. Singapore has the lowest proportion of publicly funded companies at 57%.

Korea scores on Athena Factor

The proportion of billionaires that are female is often referred to as the 'Athena Factor' named after the Greek Goddess of Wisdom. Although globally the Athena Factor has remained static in recent years at 11%, Korea is the most advanced country in Asia in this regard with six of the thirty-eight Korean billionaires being women or some 16%. This compares well with the US's 12% (so much for American gender equality of opportunity at least in gender terms!), and within Asia also with Hong Kong's 14%, China's 7%, Japan's 6% and Singapore's dismal zero percent. Korea is thus the exception in Asia and far more in line with the European norm (17%).

New money for old

Globally, the average age of billionaires is 63, with the figure being 66 and 67 for Europe and the US respectively. However the UBS/pwc report points out that on average Asians break into the billionaire bracket at a much younger age - at age 53, some six years earlier than their US counterparts. As a result Asian billionaires, including Korea's, have an average age of 59, while in China it is even lower at 55. This no doubt reflects the differential rate of wealth creation

between the old and new economies - a trend that is surely set to accelerate. Technology tycoons, for instance, are the youngest to snatch billionaire status acquiring it at age 47 in stark contrast to retail billionaires who only manage to totter into the billionaires club at age 59 on average.

Mind the gap?

Marx wrote that as 'the rich get richer, the poor get poorer'. By contrast, the former Chinese communist president Deng Xiaoping supposedly stated that 'to get rich is glorious.' Which is right? It has become an article of faith with many that an inequality gap is opening up with detrimental effects on society as a whole. But, as the UBS study shows, most new billionaire wealth derives not from investments but from innovative new technological enterprises. Moreover, economists tend to focus on relative as opposed to absolute statistics to support their arguments. But in fact, global median incomes have more than doubled this century in absolute terms. The impulse to acquire wealth is often seen as somehow deplorable - a trait to be associated with the unscrupulous character Gordon Gekko in the film Wall Street and encapsulated his infamous proclamation that 'Greed is good'. Yet entrepreneurs, innovators and risk-takers are the energetic individuals who drive economies. If they are successful, they create wealth not just for themselves but for their employees, shareholders and society at large. The companies associated with the 1,580 billionaires identified in the UBS report employ around 30 million people. This is an extraordinary number - larger than the entire number of those employed in the UK. Wealth is not a single ladder possessing only top and bottom rungs. Increasingly it is revealing a wide and range of intermediate positions. Beneath the top tier of the world's billionaires come the millionaires, whose numbers are likewise massively on the up. Credit Suisse has estimated their total number at 36 million with overall resources amounting to a staggering \$129 trillion! And below them worldwide other rungs of affluence are constantly proliferating. The growing number of billionaires world-

wide is therefore nothing to be ashamed of. Quite the opposite: it is a measure of economic success. It demonstrates that economies are expanding, that countries are becoming more competitive and that free markets are working effectively and productively.

Passing the baton

Moreover, the new billionaires are increasingly pouring their wealth into philanthropy - social, medical, and environmental causes as well as cultural and sports events and activities. In the US Warren Buffett, though he could not be described as a 'new' billionaire, has given away over \$46 billion since 2000. Bill Gates and Larry Page & Sergey Brin, the twin founders of Alphabet/Google, have between them recently donated \$116 billion - rather shaming Jeff Bezos who has only donated a mere 0.1% of his net worth: \$68 million. Nor is this kind of philanthropy restricted to the US. According to UBS and Harvard, donations from mainland China billionaires now top \$4.6 billion. He Qiaonyo ('Madame He') is a notable example: a self-made billionaire who is giving \$200 million towards wildlife protection and has set up the China Global Philanthropy Institute to encourage similar generosity. Korea also has its prominent wealthy benefactors such as Lee Young-Lin, founder of the Younglin Medical Centre. It is likely that this hand-over of wealth will amount to around \$2.4 trillion over the next couple of decades. Primary beneficiaries will of course be the foundations, which in the US currently have assets of around \$1 trillion. The influx of twice that amount globally is bound to have a very positive effect. But the benefits will not be limited to the foundations.

The aging phenomenon among billionaires also augurs well for the intergenerational transfer of wealth. The cascading of wealth from the old to the young will herald a significant passing of wealth from "baby boomers" to "millennials" and as such do much to help close the perceived intergenerational wealth gap. Greed may not be good for us but billionaires are very likely to be a force for good.

TABLE 1. Top 15 countries for billionaires

Source: UBS/pwc Billionaires 2017 & Forbes Billionaire list 2017.

Rank	Country	Total Number of billionaires	Asia	USA	Europe	Total wealth \$ billion
1	United States	563		563		2,753.2
2	China	318	318			804.3
3	Germany	117			117	474.1
4	India	100	100			323.8
5	Russia	96	96			386.3
6	Hong Kong	69	69			276.9
7	UK	55			55	163.7
8	Italy	42			42	151.9
9	France	39			39	250.7
10	Korea	38	38			92.7
11	Switzerland	35			35	104.9
12	Japan	33	33			114.5
13	Turkey	29			29	48.5
14	Spain	25			25	124.7
15	Singapore	21	21			59.4
	Total	1,580	675	563	342	6,129.6

TABLE 2. Asian country billionaire demographics

Source: UBS/pwc Billionaires 2017 & Forbes Billionaire list 2017.

Countries	Number of billionaires	Average Age	Average wealth \$ billion	Public/Private	Gender Male/Female
China	318	55	2.5	69/31	93/7
Hong Kong	69	66	4.0	65/35	86/14
Singapore	21	69	2.8	57/43	100/0
Japan	33	69	3.5	85/15	94/6
Korea	38	59	2.4	90/10	84/16

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