

To: "Dr. Baruch Fischhoff - Chair, National Academy of Sciences Study on Social & Behavioral Science and Improving Intelligence for National Security" <baruch@cmu.edu>

From: Lloyd Etheredge <lloyd.etheredge@policyscience.net>

**Subject: The Global Wealth: Better analysis of money and politics
chapter**

Dear Dr. Fischhoff and Colleagues:

Databases and analysis tools to monitor the growth and control of global wealth, and the role of money and politics in different polities, can re-energize the fields of global politics and comparative politics. If the DNI system will develop and share the data, Admiral Blair's leadership will create one of the most useful innovations that social scientists can recommend.

Politics: Who Gets What, When, and How?

Traditionally, the social science study of comparative politics has focused on public and easily measured events, like elections and voting. But wealth plays an increasingly important role: through what would be considered corruption in the US (i.e., in many UDCs); through shaping and limiting what is in, or quietly excluded from, political agendas and even the news media; in tax codes and limiting economic regulation; and (as part of the process of influence) campaign contributions to change election outcomes. Even in an advanced country like post-Communist Russia, it is inconceivable to claim an understanding of politics without knowing the flows of money and anticipated benefits that are only partly known through a national news media.

[An increasing role might be true even in the United States. During his election campaign President Obama cited an estimate of \$300 million [i.e., funds that were publicly reported as a legal requirement] that was successfully spent to secure early economic deregulation in the US. When the SEC took the critical vote to deregulate and unleash the large investment banks into a new realm of shifted risk and huge profits, the meeting was brief, no witnesses appeared in opposition, and the meeting was not covered by The New York Times.]

The total expenditures to shape political outcomes (publicly reported and

non-reported), worldwide, have been much greater. As the number of people and organizations with hundreds of millions, billions and (some) trillions of dollars have grown - along with Davos-level sophistication - the level of Grand Strategy about key issues has outsmarted both governments and political opponents, and the processes are covered by journalists years later.<1> <2> <3>.<4>

These effects are not merely neutral for national security. Failed stewardship, by US and other governments, may contribute to political instability.

These global trends are likely to grow as global economic growth resumes. It is a new world of influence on the future. However, neither our country - nor the DNI - can expect social scientists to understand it, or give an adequate entry-level education to our college graduates, unless data are available for a new era of monitoring and understanding, in global politics and the comparative study of different polities, the role of money in politics.

Recommended: Wider Consultations

I recommend that your Study organize wider consultations about these issues with social scientists who are knowledgeable about estimates of global wealth and the new world of money and politics in comparative perspective. COSSA members (via Dr. Huston), alongside APSA, ISA, and AEA members, may have new data systems and analysis tools to recommend. Robert Keohane, a member of the National Academy and former President of APSA, also might have suggestions about people to contact.

Lloyd Etheredge

<1> See Luisa Kroll, Matthew Miller, and Tatiana Serafin, "The World's Billionaires" in Forbes March 11, 2009. Online. American billionaires now account for less than half of the wealth.

<2> For earlier (post-hoc) journalism about the new, world-changing political effectiveness, see Yergin and Stanislaw's The Commanding Heights: The Battle for the World Economy (1998). Their analysis of this global phenomenon did not have the later data about political expenditures and strategy to explain the mechanisms effecting the fundamental rollbacks and defeats of socialism.

<3> This new era of social science, as it informs the public, governments, and poli-

cy, also can provide fuel for Left political agendas. But there are many dimensions of the money-politics relation - e.g., the global environmental movement.

<4> As an example of trends that usually are not yet explored in political science/IR or economics textbooks: IMF data show that the total value of stocks, bonds, and bank deposits in the world now apparently expand much faster than real GDP - from \$123.8 trillion in 2003 to \$ \$241.1 trillion in 2007. Merrill Lynch/Capgemini estimates show the wealthiest 10 million households in the world (average assets beyond primary residence of \$4 million in 2007) increased wealth from \$26.7 trillion in 2002 to \$40.7 trillion in 2007. Note - for purposes of assessing potential political impacts - that the US annual GDP was running about \$14.2 trillion in 2008. Wealth does not equal control or political clout, but the relationship is worth understanding & especially as wealth grows faster than real GDP. See the attached (*.pdf) tables.

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Table 3. Selected Indicators on the Size of the Capital Markets, 2007*(In billions of U.S. dollars unless noted otherwise)*

| | GDP | Total Reserves Minus Gold ¹ | Stock Market Capitalization | Debt Securities | | | Bank Assets | Bonds, Equities, and Bank Assets ² | Bonds, Equities, and Bank Assets ² <i>(In percent of GDP)</i> |
|--|----------|---|--------------------------------|-----------------|----------|----------|-------------|---|--|
| | | | | Public | Private | Total | | | |
| World | 54,840.9 | 6,449.1 | 65,105.6 | 28,629.3 | 51,585.8 | 80,215.1 | 95,768.5 | 241,089.3 | 439.6 |
| European Union | 15,741.1 | 279.7 | 14,730.9 | 8,778.3 | 19,432.3 | 28,210.5 | 48,462.0 | 91,403.5 | 580.7 |
| Euro area | 12,220.6 | 172.1 | 10,040.1 | 7,606.4 | 15,397.8 | 23,004.2 | 35,097.1 | 68,141.5 | 557.6 |
| North America | 15,243.6 | 100.5 | 22,108.8 | 7,419.2 | 24,491.9 | 31,911.1 | 13,851.9 | 67,871.8 | 445.2 |
| Canada | 1,436.1 | 41.0 | 2,186.6 | 823.3 | 763.6 | 1,586.9 | 2,657.8 | 6,431.3 | 447.8 |
| United States | 13,807.6 | 59.5 | 19,922.3 | 6,595.9 | 23,728.3 | 30,324.2 | 11,194.1 | 61,440.6 | 445.0 |
| Japan | 4,384.4 | 952.8 | 4,663.8 | 7,147.7 | 2,066.0 | 9,213.7 | 10,086.9 | 23,964.3 | 546.6 |
| <i>Memorandum items:</i> | | | | | | | | | |
| EU countries | | | | | | | | | |
| Austria | 371.2 | 10.7 | 236.4 | 217.3 | 438.4 | 655.6 | 615.9 | 1,508.0 | 406.2 |
| Belgium | 459.0 | 10.4 | 404.4 | 506.7 | 547.5 | 1,054.2 | 2,324.4 | 3,783.0 | 824.1 |
| Denmark | 310.5 | 32.5 | 290.9 | 93.3 | 613.9 | 707.2 | 1,082.4 | 2,080.6 | 670.1 |
| Finland | 246.2 | 7.1 | 359.1 | 130.1 | 121.7 | 251.8 | 303.4 | 914.3 | 371.3 |
| France | 2,593.8 | 45.7 | 2,737.1 | 1,447.2 | 2,923.8 | 4,370.9 | 10,230.4 | 17,338.4 | 668.5 |
| Germany | 3,320.9 | 44.3 | 2,105.2 | 1,700.3 | 3,902.3 | 5,602.7 | 6,600.1 | 14,308.0 | 430.8 |
| Greece | 312.8 | 0.6 | 265.0 | 453.8 | 134.0 | 587.8 | 513.0 | 1,365.7 | 436.7 |
| Ireland | 261.2 | 0.8 | 143.9 | 58.9 | 518.6 | 577.5 | 1,630.7 | 2,352.1 | 900.4 |
| Italy | 2,117.5 | 28.4 | 1,072.5 | 2,019.0 | 2,183.9 | 4,202.9 | 4,336.0 | 9,611.5 | 453.9 |
| Luxembourg | 49.7 | 0.1 | 166.1 | 0.0 | 94.6 | 94.6 | 1,347.6 | 1,608.3 | 3,234.4 |
| Netherlands | 777.2 | 10.3 | 574.5 | 315.6 | 1,698.4 | 2,014.0 | 3,869.0 | 6,457.6 | 830.8 |
| Portugal | 223.7 | 1.3 | 147.2 | 174.0 | 269.9 | 443.9 | 280.4 | 871.5 | 389.5 |
| Spain | 1,440.0 | 11.5 | 1,799.8 | 580.0 | 2,564.1 | 3,144.2 | 2,979.4 | 7,923.4 | 550.2 |
| Sweden | 453.8 | 27.0 | 576.9 | 168.6 | 493.1 | 661.6 | 694.3 | 1,932.8 | 425.9 |
| United Kingdom | 2,803.4 | 49.0 | 3,851.7 | 913.5 | 2,928.0 | 3,841.5 | 11,655.0 | 19,348.2 | 690.2 |
| Emerging market countries ³ | 17,270.8 | 4,034.7 | 20,950.2 | 5,001.3 | 2,795.6 | 7,796.9 | 18,258.1 | 47,005.2 | 272.2 |
| Of which: | | | | | | | | | |
| Asia | 7,680.4 | 2,138.8 | 13,782.7 | 2,645.8 | 1,826.9 | 4,472.7 | 11,620.2 | 29,875.6 | 389.0 |
| Latin America | 3,641.0 | 445.2 | 2,292.2 | 1,456.5 | 628.6 | 2,085.1 | 2,260.8 | 6,638.1 | 182.3 |
| Middle East | 1,557.8 | 312.6 | 1,275.9 | 39.5 | 84.3 | 123.8 | 1,335.6 | 2,735.3 | 175.6 |
| Africa | 1,101.7 | 289.5 | 1,181.7 | 89.0 | 78.9 | 168.0 | 864.5 | 2,214.2 | 201.0 |
| Europe | 3,289.9 | 848.6 | 2,417.6 | 770.4 | 176.9 | 947.3 | 2,177.0 | 5,541.9 | 168.5 |

Sources: World Federation of Exchanges; Bank for International Settlements; International Monetary Fund, International Financial Statistics (IFS) and World Economic Outlook database as of April 16, 2009; ©2003 Bureau van Dijk Electronic Publishing-Bankscope; and Standard & Poor's Emerging Markets Database.

¹Data are from IFS.

²Sum of the stock market capitalization, debt securities, and bank assets.

³This aggregate comprises the group of Other Emerging Market and Developing Countries defined in the World Economic Outlook, together with Hong Kong SAR, Israel, Korea, Singapore, and Taiwan Province of China.

IMF, Global Financial Stability Report,
4/2009, p. 177

Table 3. Selected Indicators on the Size of the Capital Markets, 2003*(In billions of U.S. dollars unless noted otherwise)*

| | GDP | Total Reserves Minus Gold ¹ | Stock Market Capitalization | Debt Securities | | | Bank Assets ² | Bonds, Equities, and Bank Assets ³ | Bonds, Equities, and Bank Assets ³ (In percent of GDP) |
|---------------------------|----------|--|-----------------------------|-----------------|----------|----------|--------------------------|---|---|
| | | | | Public | Private | Total | | | |
| World | 36,163.4 | 3,142.3 | 31,202.3 | 20,242.4 | 31,722.7 | 51,965.1 | 40,627.8 | 123,795.2 | 342.3 |
| European Union | 10,513.1 | 285.3 | 7,754.0 | 6,276.7 | 10,436.8 | 16,713.5 | 18,148.7 | 42,616.2 | 405.4 |
| Euro area | 8,202.0 | 186.6 | 4,882.8 | 5,480.0 | 7,966.2 | 13,446.2 | 13,136.1 | 31,762.5 | 387.3 |
| North America | 11,852.4 | 111.1 | 15,154.7 | 5,626.8 | 16,358.3 | 21,985.1 | 6,800.3 | 43,940.1 | 370.7 |
| Canada | 866.9 | 36.2 | 888.7 | 601.8 | 370.6 | 972.4 | 1,100.3 | 2,961.4 | 341.6 |
| United States | 10,985.5 | 74.9 | 14,266.0 | 5,025.0 | 15,987.7 | 21,012.7 | 5,700.0 | 40,978.7 | 373.0 |
| Japan | 4,301.8 | 663.3 | 4,904.6 | 6,154.0 | 2,260.8 | 8,414.8 | 6,218.7 | 19,538.1 | 454.2 |
| <i>Memorandum items:</i> | | | | | | | | | |
| <i>EU countries</i> | | | | | | | | | |
| Austria | 253.6 | 8.5 | 56.5 | 203.1 | 199.7 | 402.8 | 282.6 | 741.9 | 292.6 |
| Belgium | 303.1 | 11.0 | 170.7 | 382.4 | 314.2 | 696.6 | 953.5 | 1,820.8 | 600.8 |
| Denmark | 210.8 | 37.1 | 118.2 | 115.5 | 314.7 | 430.2 | 426.1 | 974.5 | 462.2 |
| Finland | 162.2 | 10.5 | 170.3 | 110.7 | 70.8 | 181.5 | 297.4 | 649.2 | 400.3 |
| France | 1,754.3 | 30.2 | 1,237.6 | 1,045.8 | 1,538.9 | 2,584.7 | 3,495.9 | 7,318.2 | 417.2 |
| Germany | 2,408.6 | 50.7 | 1,079.0 | 1,165.0 | 2,881.4 | 4,046.4 | 2,890.1 | 8,015.5 | 332.8 |
| Greece | 174.1 | 4.4 | 103.8 | 225.3 | 21.2 | 246.5 | 176.7 | 527.0 | 302.8 |
| Ireland | 149.2 | 4.1 | 85.1 | 39.2 | 137.1 | 176.3 | 500.3 | 761.7 | 510.6 |
| Italy | 1,470.9 | 30.4 | 614.8 | 1,498.7 | 1,115.4 | 2,614.1 | 1,791.8 | 5,020.8 | 341.3 |
| Luxembourg | 25.9 | 0.3 | 37.3 | 0.0 | 38.5 | 38.5 | 544.4 | 620.2 | 2,393.8 |
| Netherlands | 512.7 | 11.0 | 539.0 | 257.8 | 910.3 | 1,168.1 | 1,411.1 | 3,118.1 | 608.2 |
| Portugal | 147.5 | 5.9 | 62.4 | 106.8 | 120.1 | 226.9 | 174.5 | 463.8 | 314.4 |
| Spain | 840.1 | 19.8 | 726.2 | 445.2 | 618.6 | 1,063.8 | 915.3 | 2,705.3 | 322.0 |
| Sweden | 301.8 | 19.7 | 293.0 | 167.5 | 265.5 | 433.0 | 288.6 | 1,014.6 | 336.2 |
| United Kingdom | 1,798.6 | 41.9 | 2,460.1 | 513.7 | 1,890.4 | 2,404.1 | 4,000.5 | 8,864.7 | 492.9 |
| Emerging market countries | 8,356.5 | 1,937.7 | 3,947.3 | 1,889.3 | 1,223.7 | 3,113.0 | 6,532.4 | 13,592.8 | 162.7 |
| Of which: | | | | | | | | | |
| Asia | 3,871.2 | 1,248.2 | 2,942.8 | 795.4 | 930.1 | 1,725.5 | 4,347.0 | 9,015.3 | 232.9 |
| Latin America | 1,728.4 | 195.7 | 608.1 | 634.6 | 212.3 | 846.9 | 776.4 | 2,231.3 | 129.1 |
| Middle East | 812.3 | 149.5 | 96.4 | 10.1 | 12.7 | 22.8 | 693.2 | 812.4 | 100.0 |
| Africa | 553.8 | 91.9 | 168.3 | 71.6 | 26.3 | 97.9 | 334.3 | 600.4 | 108.4 |
| Europe | 1,390.9 | 252.5 | 131.8 | 377.6 | 42.3 | 419.9 | 381.6 | 933.3 | 67.1 |

Sources: World Federation of Exchanges; Bank for International Settlements; International Monetary Fund, *International Financial Statistics* (IFS) and *World Economic Outlook*; and ©2003 Bureau van Dijk Electronic Publishing-Bankscope.

¹Data are from IFS. For the United Kingdom, excludes the assets of the Bank of England.

²Assets of commercial banks; data refer to 2002.

³Sum of the stock market capitalization, debt securities, and bank assets.

Source: IMF, Global Financial Stability Report 9/2004 annex.