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Arguments in Favour of Economic Liberalization

Bakirov V. S.
Professor, Rector of V. N. Karazin Kharkiv National University, Ukraine
E-mail: rektor@karazin.ua

Kostenko E. (Corresponding Author)
CPA,CGA CFO StrategicAmpersand Inc., Toronto, Canada
Email: Elena@stratamp.com

Kuklin V. M.
Professor, Head of Department of Artificial Intelligence of V. N. Karazin Kharkiv National University, Ukraine
E-mail: v.m.kuklin@karazin.ua

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Abstract

The article illustrates the results of the economic development of the first fifteen years of the XXI century under the conditions of unprecedented economic freedom, globalization and the appearance of new informational sectors up to and including the first attempts at revising liberalism. The analysis of statistical data demonstrates an obvious increase in the percentage of well-off people in many countries as well as the increased economic capabilities of small, medium and large businesses, whose assets are distributed among an ever-increasing number of owners. This provides the impetus to review our collective approach to liberalization and globalization, as well as to view its unexpected strong sides that make human progress possible.

Keywords: Liberalization; Economy; Wealth; Middle class.

1. Introduction

The beliefs that market liberalization in the context of globalism hinders the harmonious development of governments are based first and foremost on the obvious consequences of the free flow of capital. Initially, politicians come face to face with big businesses' unwillingness to develop sectors that the government deems important to their countries. Later, public servants bear witness to massive outsourcing, which is accompanied by job losses among high-skilled employees, as well as a lower volume of fees – tax and otherwise – paid to the municipalities and the government. The interests of governments and nations, having lost heavy production capacity, are deemed secondary. It is obvious that big business seeks favourable conditions: low taxes, less stringent environmental regulations, cheap labour and so on. Large-scale entrepreneurs find the best possible option when looking for a location for their enterprise: cheap rent/low prices for land and real estate, comfortable and easy-to use logistics etc...

Inexpensive imported goods[1] from regions to which large corporations transferred their businesses have the effect of suppressing entire sectors of the economy in countries that were in essence abandoned by these corporations. Throughout this it is important to note that even though the headquarters may remain in the "abandoned" country, the corporation pays most of its taxes, fees and wages in the "recipient" country, thereby developing their economy and internal markets. These payments dwarf the company's profits, which even then is distributed solely among the shareholders and business owners. Most of the population of countries that have lost businesses to outsourcing are forced to find work in the relatively low-wage service sector. Small and medium-scale entrepreneurs have to find new locations and ways to apply their knowledge and skills. All this leads to reduced happiness in the "abandoned" country, which in addition to losing a large and profitable business lost the associated wages, taxes and secondary markets. This dissatisfaction has the capacity to lead to societal unrest. Public servants and politicians face increased pressure from the electorate, which is seeing its quality of life decline. There are ever-louder calls to bring things back to the way they were, including by limiting the ability of businesses to change their location. In other words, the people begin to demand that the government place limits on the free flow of capital and other aspects of economic freedom.

In this way, the euphoria around economic liberalization and its consequence – globalization, the effects and scope of which in the context of the information revolution became unexpectedly and anomalously massive – gradually gave way to demands that governmental and national interests be protected and that the quality of life of the developed nations – the technological donors – not be lowered. The attempts of governmental and regional public servants in the technological donor nations to weaken the effects of globalization have proven to be ineffective, leading to the rise of populists that promise the impossible. They are expected to be the heralds of a

[1] These goods are often of a lower quality, but their significantly lower prices nevertheless attract consumers

return to the days of yore, back when governments placed limits on the freedom of international corporations. However, these international businesses have amassed such power that it may prove impossible to reverse the direction of the global clock.

But are things really that bad? In this article we will attempt to figure out of economic liberalization is as dangerous as some think it is. We will endeavour to determine whether we should all fear economic freedom and free competition on the global scale.

Recall that some time ago, the Christian nations of Europe created governmental guarantees for creditor demands[2]. Leaders – religious and otherwise – did not fear losing control over the flow of finances, being confident in their own power and capabilities. Before long, however, the power of money in the rapidly developing capitalist relationships overcame these traditional sources of power. In Muslim nations, the granting of a credit was contingent on the authority and good standing of the borrower; however the market actively resisted attempts by the government to regulate costs and percentages, justifying this through a claimed regulation by some higher power[3]. The Muslim world's sub-par economic performance in comparison to Europe was due to the fact that the members of the market never agreed amongst themselves – initially, these countries lacked any rules and regulations that their governments could have enforced. To put it a different way, in the words of Graeber (2011), this made harsh competition impossible, which limited the active redistribution of wealth that was seen in Europe's nascent capitalism. The rapid market growth and the development of capitalist relationships at that time required a morally repugnant fierce competition, unconditional adherence to the demands of lenders, and brutal exploitation.

It was the uncontrollable growth of the market, the accumulation of wealth and its inevitable redistribution in broader society that made Western Europe wealthy. Presently, we are seeing the "golden billion" being joined by a multitude of other nations, as well as new global wave of wealth equalization, which will run concurrently with a strengthening of global economic growth. It is not clear that this will happen at the expense of developed nations – they will also see noticeable growth. This is because the new harsh realities of fierce international competition will force people to find new ways of growing the economy, and this should be welcomed with open arms.

According to the views of B. Milanovic, the dynamics of global wealth changes have been markedly uneven. Africa was stagnating at the same time that the wealth of Asia's giants – China and India – rose rapidly, while the wealth of the middle class of developed nations stayed practically level. All of this, mind you, occurring in the context of a meteoric rise of the wealth of the top one percent. A graph illustrating this distribution – known as "Milanovic's elephant" – became quite popular (Milanovic, 2016). However, if one looks closely, the modern dynamics of wealth distribution and redistribution is not as obvious as one might think, and requires additional clarification. Unfortunately, the absence of data regarding the real wealth of populations, uncertainties in the boundaries of the middle class in developed nations, and the insufficient capitalization of assets in developing nations all contribute to a distortion of the results obtained from even the demonstrably incomplete data (Credit Suisse Global Wealth Databook, 2000–2015). But the ability to see the vibrant picture of economic evolution – and to reach certain qualitative conclusions regarding the tendencies of the global economy – should be accessible to any careful observer.

Below, we will discuss the character of wealth distribution of various groups with differing wealth in several countries around the world. We will determine the percentage of millionaires, which to a great extent determine the ratio of small, medium and large businesses in their countries, as well as the level of competition. We will look at the changes in the relative sizes of social groups and the size of their wealth – changes that occurred over the first 15 years of the 21st century in countries at various stages of development.

The article illustrates the results of the economic development of the first fifteen years of the XXI century under the conditions of unprecedented economic freedom, globalization and the appearance of new informational sectors up to and including the first attempts at revising liberalism. The analysis of data presented in Credit Suisse Global Wealth Databook (2000–2015) an obvious increase in the percentage of well-off people in many countries as well as the increased economic capabilities of small, medium and large businesses, whose assets are distributed among an ever-increasing number of owners. This provides the impetus to review our collective approach to liberalization and globalization, as well as to view its unexpected strong sides that make human progress possible.

2. Goals of the Study

The study aims to show that in the context of the globalization and liberalization of the world's economy, there have been a marked increase in the number of millionaires owning assets, which leads to a consolidation of capital, as well as an increase in the wealth of the middle class and the rest of the population. A quantitative measure is provided of the dynamics of the relative size and relative wealth of millionaires, which are subdivided into three groups based on their assumed ownership of small, medium and large businesses. The relative proportion of the wealth and number of millionaires in these three groups is used to shed light on the properties of competition in

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[2] Lenders depended on a favourable position with medieval rulers and nobles, who often abused their position to break agreements with the lenders. This was justified by the latter's low social status, weak rule of law and the effective lack of social protection given to the – often ethnically homogeneous – lenders. In order to compensate the lenders' losses, monarchs and rulers demanded that the rest of the population strictly adhere to the lenders' conditions. It comes as no surprise, then, that formerly barbarian governments soon passed the appropriate laws.

[3] According to A. Smith who, similarly to the authors of the Middle Eastern manuscripts, wrote about a so-called "invisible hand".

different countries and the degree of their economic development. Finally, it is also used to determine the correlation between millionaires' well being and that of the middle and lower classes.

3. Methodology of the Study

Based on data provided by the Credit Suisse Global Wealth Databook Research Institute, the dynamics of the wealth of countries' populations are provided. The wealth of an adult is measured by the Credit Suisse Global Wealth Databook in accordance with UN methodology, and is based on ownership of real estate, assets, currency and debt. In counterpoint to other studies, three sub-groups of millionaires are considered, with the division based on the scale of business assets that they are presumed to own. The first group, with assets under 10 million USD, is assumed to own small businesses; the second, with assets under 100 million USD is assumed to own medium businesses; the third, with assets in excess of 100 million USD, is assumed to own large businesses.

The first part of the study considers the relations between the sizes of these groups in order to clarify the nature of competition. The higher the relation of the size of the previous group to the next, the higher the level of competition. For this reason, attention is paid to countries with these kinds of relations, and attempts are made to clarify this segmentation. Under normal conditions, the number of millionaires in the first group is significantly higher than that of the second group, which in turn is much smaller than that of the third – if these ratios are not particularly high, a suppression of normal competition may be taking place. If with the passage of time the relative number of millionaires in the highest-wealth category and their relative ownership of the country's wealth grows, one may assume that their ownership of productive assets grows correspondingly. The increase of the relative number of millionaires, especially in the second and third group, that was seen between 2010 and 2015 demonstrates the consolidation of capital and the growth of countries' economic capabilities.

In order to determine the consequences of the growth of the relative size and wealth of millionaires, the second part of the study considers the change of the relative number of people with different levels of wealth. It is shown that a relative increase of the wealth and size of the middle class is taking place, as well as an increase of the wealth of the lower class. In effect, the increase of the relative wealth and relative number of millionaires increases the wealth of all segments of the population.

4. On the Wealth-Based Distribution of People in Countries Around the World

To start, the traditional "low/middle/upper class" approach does not quite clarify the character of wealth distribution in a society. Recall that the wealth of a grown individual is evaluated in accordance with UN methods by including their real estate, assets and cash and subsequently subtracting their obligations (Credit Suisse Global Wealth Databook, 2000–2015). In each country, membership in these social groups is determined through various means, including purchasing power and subjective evaluations, leading to quantitative boundary criteria for wealth changing from country to country (Kuklin and Sirenkaya, 2016). It is important to understand that it is useful to break up the "upper class" social group into two components: those owning the means of production and other wealth-generating assets, and those that are simply using expensive property or that are minority shareholders. Clearly, the wealth of the former typically exceeds one million dollars. For this reason, it is useful to separately consider the "millionaire" social group. To the extent that each country has small, medium and large businesses, their owners, shareholders and executives command a corresponding level of wealth[4]. Clearly, this estimate is not exact, but it is nevertheless logical to equate small businesses with owners of wealth between 1 million and 10 million USD, medium businesses with owners of wealth between 10 million and 100 million USD and large businesses with owners of wealth exceeding 100 million USD. The amount of millionaires in developed nations is 2-3 times smaller than the amount of those in the "upper class". In developed nations, this difference can be much higher. It is important to note that it is the millionaires who to a great extent determine the economic development of a country, so it is prudent to take a closer look at the peculiarities of their distribution (Credit Suisse Global Wealth Databook, 2000–2015).

Table 1 demonstrates the distribution of adults in developed nations according to their level of wealth. Let us consider the traditional division of the adult population into three groups – lower, middle and upper class. The criteria according to which this division takes place change somewhat from country to country.

In the upper class, we will highlight those with a net worth exceeding 1 million USD. In the two rightmost columns of the table, in parentheses, we note size of this group as a percentage of the number in the column to the left. We note that the ratio of the number of millionaires associated with medium businesses to the numbers associated with small businesses is only a few percent. A similar ratio is seen when comparing those associated with large businesses to those associated with medium businesses.

The small volume of people capable of making the leap from small to medium businesses and from medium to large businesses is due to high levels of competition. Note that large businesses, in the context of globalization, compete on the global market, while medium businesses typically operate in local markets. However, developed nations are typically members of large regional economic unions, and so there levels of competition among medium businesses are comparable to global values.

The level of competition was found to be somewhat higher in the Asian region (Japan, New Zealand, Australia), which has been marked by rapid market growth in its developing nations. Note also that in Australia and New

[4] The traditional division into high net worth (HNW, between 1 and 50 million dollars) and ultra-high net worth (over 50 million dollars) is, in our view, less informative.

Zealand (which, unlike Japan, didn't suffer from the painful crisis at the turn of the century), there is a significant amount of millionaires among the population, which indicates that these countries have a vibrant and active economy.

A relatively small number of millionaires is seen in the EU's economically weaker nations, such as Greece, Portugal and, to a lesser extent, Spain. Nevertheless, this does not impede them from participating in the united European market. Switzerland is an outlier, with its high percentage of millionaires and high relative weight of the financial sector, which experiences a rather smaller level of competition from its neighbours. In the USA, the large internal market, together with the high level of governmental support, serves to weaken the effects of external competition on small and medium businesses.

Table-1. Distribution of Adults In Accordance With Their Level of Wealth In Developed Nations

Indicator Country	Number of adults, millions of people	Average wealth of adults, thousands $	Wealth median thousands $	Percentage of lower class	Percentage of middle class	Percentage of upper class	Percentage of millionaires **	Number of those with wealth between $1–10 million,	Number of those with wealth between $10–100 million.*	Number of those with wealth above $100 million.* thousands
Australia	16,92	364,9	168,3	19,7	66,06	14,2	5,7 (+1,1)	935,4	24,8 (2,65)	0,679 (2,79)
Austria	6,809	196,1	66,62	48,1	43,97	7,9	2,8 (+0,9)	187, 7	6,25 (3,33)	0,219 (3,5)
Belgium	8,440	259,4	150,3	25,6	62,14	12,3	3,3 (+0,6)	273,1	5,125 (1,88)	0,099 (1,93)
Canada	27,67	248,3	74,75	41,7	47,75	10,5	3.5 (+0,1)	955,1	27,84 (2,91)	0,843 (3,02)
Denmark	4,218	251,6	51,85	50,0	39,52	10,5	4,6 (+1,8)	187,9	5,734 (3,05)	0,191 (3,33)
Finland	4,225	149,9	62,73	50,0	45,58	4,4	1,6 (+0,5)	64,48	2,264 (3,52)	0,084 (3,84)
France	48,45	262,1	86,16	38,3	49,2	12,5	3,7 (–0,9)	1743	46,19 (2,48)	1,247 (2,7)
Germany	67,08	179	43,9	50,0	42,43	7,57	2,3 (+0,8)	1472	50,94 (3,46)	1,798 (3,53)
Greece	9,131	81,34	38,55	50,0	47,19	2,8	0,6 (–0,3)	55,70	2,145 (3,85)	0,086 (4,01)
Ireland	3,547	194,6	64,44	42,3	50,3	7,4	2,3 (+1,3)	80,43	2,913 (3,62)	0,112 (3,85)
Italy	49,24	203,6	88,60	31,7	59,7	8,6	2,2 (–0,7)	1030	32,23 (2,95)	0,981 (3,04)
Japan	104,3	190,2	96,07	31,4	59,5	9,1	2 (–0,3)	2086	38,88 (1,86)	0,749 (1,93)
Netherlands	13,02	182,8	74,66	38,5	54,1	7,4	2,2 (+0,8)	274,5	7,588 (2,76)	0,221 (2,91)
New Zealand	3,292	400,8	182,6	27,8	50,3	21,9	8,2 (+6,3)	266,3	4,166 (1,53)	0,075 (1,76)
Norway	3,788	321,3	119,6	31,4	56,39	12.2	5,4 (–0,4)	199,1	5,916 (2,97)	0,188 (3,18)
Portugal	8,640	73,84	27,3	52,7	44,62	2,7	0,6 (–0,2)	49,22	1,737 (3,53)	0,073 (4,2)
Spain	37,57	111,6	52,22	40,4	55,75	3,8	0,9 (+0,4)	323	12,27 (3,8)	0,520 (3,96)
Sweden	7,369	311,3	57,43	49,1	39,45	11,5	7,1 (+3,4)	504,0	15,34 (3,04)	0,526 (3,43)
Switzerland	6,156	567,1	107,6	41,5	44,49	14,0	10,8 (+7)	633,8	31,62 (4,99)	1,524 (4,82)
UK	48,7	320,4	126,5	30,4	57,39	12,2	4,8 (+2,2)	2298	63,995 (2,79)	1,833 (2,86)
USA	243,3	353	49,79	50,0	37, 75	12,2	6,4 (+2.1)	14 815	821,3 (5,54)	19,64 (2,39)

*The number in parentheses indicates the percentage ratio of this number to the number in the column to the left, as of the end of 2015. ** The number in parentheses indicates the change of this number since 2010. This table uses a part of the data from (Credit Suisse Global Wealth Databook, 2000–2015).

The growth of the percentage of millionaires seen in the majority of developed nations over the last five years is an indicator of the strengthening of these countries' financial and industrial capital. Only the countries that suffered from a decrease in demand on their services, such as Greece, Portugal, Italy and, to a certain extent, Norway, decreased their percentage of millionaires. The economy of Japan is still facing difficulty; however in 2016 positive tendencies began to emerge.

As seen in table 2, developing nations have significantly larger lower classes, small middle classes and a catastrophically lower percentage of millionaires – over a factor of 10 smaller than the numbers seen in developed nations. Competition between businesses is clearly weakened, and the causes of this low competition can vary significantly from country to country. These reasons include but are not limited to: weak participation in global markets of goods with high added value, corruption and cronyism, and a relatively low degree of saturation of manufacturing niches.

Table-2. Distribution of Adults in Accordance With Their Level of Wealth in Developing Nations

Indicator Country	Number of adults, millions of people	Average wealth of adults, thousands $	Wealth median thousands $	Percentage of lower class	Percentage of middle class	Percentage of upper class	Percentage of millionaires **	Number of those with wealth between $1–10 million, thousands	Number of those with wealth between $10–100 million.* thousands	Number of those with wealth above $100 million.* thousands
Czech Republic	8,459	41,71	14,26	71,9	26,47	1,63	0,33 (+0,2)	26,68	1,516 (5,68)	0,094 (6,2)
Poland	30,33	24,37	9,112	79,7	19,33	0,97	0,14 (+0,06)	41,37	1,716 (4,15)	0,091 (5,3)
Chile	12,75	41,98	13,503	76,2	22,27	1,53	0,34 (+0,3)	41,1	2,652 (6,45)	0,183 (6,9)
Mexico	75,42115	25,93	7,978	81,9	17,12	0,98	0,15 (–0,01)	107,6	5,105 (4,75)	0,246 (5,05)
Brazil	138,4	17,6	3,311	91,3	8,12	0,58	0,12 (–0,06)	157,4	9.929 (6,31)	0,675 (6,8)
Argentina	28,83	9,778	2,203	95,7	3,96	0,34	0,063 (–0,01)	17,12	1,169 (6,82)	0,085 (7,27)
China	1013	22,51	7,357	88,7	10,73	0,57	0,13 (+0,05)	1260	68,82 (5,46)	3,984 (5,79)
Malaysia	19,00	22,70	6,194	82,1	16,67	1,23	0,15 (+0,03)	26,6	1,866 (6,39)	0,133 (7,13)
Indonesia	161,760	9,031	1,615	95,0	4,44	0,56	0,06 (+0,02)	83,54	5,416 (6,5)	0,371 (7,32)
India	792	4,352	868	96,9	2,99	0,2	0,023 (0,0)	172,0	12,26 (7,13)	0,940 (7,67)
Russia	109,5	11,73	1,388	95,4	4,1	0,5	0,08 (+0,07)	83, 09	8,205 (9,87)	0,805 (9,81)
Saudi Arabia	17,41	39,48	13,13	64,8	33,08	2,1	0,29 (+0,16)	47,42	2,375 (5,05)	0,126 (5,3)
South Africa	31,36	21,40	3,379	85,2	13,7	1,1	0,16 (–0,05)	47,14	2,376 (5,04)	0,136 (5,72)
Turkey	53,08345	19,30	4,469	89,3	9,91	0,8	0,12 (+0,03)	62	4,465 (7,2)	0,381 (7,73)
Egypt	54,33	6,983	1,664	94,6	5,02	0,38	0,04 (+0,02)	21,35	1,487 (6,96)	0,117 (7,87)

*The number in parentheses indicates the percentage ratio of this number to the number in the column to the left, as of the end of 2015. ** The number in parentheses indicates the change of this number since 2010. This table uses a part of the data from Credit Suisse Global Wealth Databook (2000–2015).

Special attention should be given to the rapidly developing nations, whose indicators are approaching those seen in the developed world. They demonstrate a large middle class, their percentage of millionaires is only somewhat smaller, with Singapore and Thailand showing numbers analogous to those of developed nations (see table 3). Competition levels approach those seen in the developed world. Hong Kong is a special case, given that the productive assets are to a great extent located outside of its borders, and regional competition isn't as relevant (similarly to Israel).

Table-3. Distribution of Adults in Accordance With Their Level of Wealth in Rapidly Developing Nations

Indicator Country	Number of adults, millions of people	Average wealth of adults, thousands $	Wealth median thousands $	Percentage of lower class	Percentage of middle class	Percentage of upper class	Percentage of millionaires **	Number of those with wealth between $1–10 million, thousands	Number of those with wealth between $10–100 million.* thousands	Number of those with wealth above $100 million.* thousands
Thailand	18,45	194,7	66,42	25,4	59,4	15,2	2,1	366,2	18,09 (4,58)	0,862 (4,76)
South Korea	38,912	91,11	31,26	52,5	44,63	2,9	0,74 (+0,23)	275,8	13,24 (4,8)	0,636 (5,05)
Singapore	4,051	269,4	98,92	21,7	62,23	16	3,5 (+1,7)	135,3	6,184 (4,57)	0,298 (4,82)
Hong Kong	6,186	173,7	36,54	50,5	44,42	5,1	1,7 (+0,32)	98,26	8,211 (8,36)	0,760 (9,25)
Israel	5,071	156	41,93	53,8	42,45	3,7	1,4 (+0,12)	76,16	4,366 (5,74)	0,3 (6,29)

*The number in parentheses indicates the percentage ratio of this number to the number in the column to the left, as of the end of 2015.
** The number in parentheses indicates the change of this number since 2010. This table uses a part of the data from Credit Suisse Global Wealth Databook (2000–2015).

Over the last 5 years, the only Latin American country to demonstrate growth in terms of its millionaire percentage is Chile. It shares this characteristic with other developing nations around the world that were spotlighted in tables 2 and 3. This, among other things, indicates the strengthening of the economic potential of these nations, which can allow for the growth of their gross product. These tendencies give one cause to hope and believe in the continuing, progressive growth of the global economy.

Recent data regarding the changing number of millionaires (defined in terms of their assets in USD) between 2015 and 2016 also speaks loudly (Credit Suisse Global Wealth Databook, 2000–2015). For example, the highest increase in millionaires was seen in Japan – 738 thousand people, while the highest decrease was seen in the UK – 406 thousand people, although this was primarily caused by currency fluctuations with respect to USD, +19,3% and –15% respectively. This is to say that the role of exchange rates in these analyses is rather significant. In the USA, the number of millionaires rose by 283 thousand people. Germany and Canada saw growth by 44 and 25 thousand people respectively. Increased numbers of millionaires were seen in New Zealand (33 thousand) (note that New Zealand recently revalue its currency by 5.3%), Belgium (16 thousand), Indonesia (12 thousand), South Korea (10 thousand), Brazil (11 thousand) and Ireland (7 thousand). Switzerland and China saw noticeable drops in their number of millionaires – 58 and 43 thousand respectively – although this can primarily be attributed to lower exchange rates (6.7% and 4.1% respectively). Similar "problems" with analogous, USD exchange rate-related causes were seen in Taiwan (4.4% decrease of rate, 27 thousand fewer millionaires), Russia (12.8% decrease, 15 thousand fewer) and Mexico (15% decrease, 15 thousand fewer), Argentina (39.2% decrease, 13 thousand fewer), Norway, Australia and Italy (12 thousand fewer), although for the last two countries these losses are hardly noticeable.

5. On the Changing Population and Wealth of Social Groups in Countries Around the world

In this section we will discuss the changes of the relative populations of social groups and the size of their wealth that occurred in countries at various stages of development over the first 15 years of the 21st century. In table 4 we present not only the percentages of the population and wealth of these three social groups (lower, middle and upper class) but also the changes of these numbers over 15 years (in parentheses). For example, the number of adults in the upper class of the extremely dynamic Taiwan rose from 5.3% to 15.2%, while the percentage of their wealth increased from 51% to 69.2%.

Before going further we note the rapidly growing relative population and wealth of the upper class. The rise of this group's wealth has been markedly higher than the rise of its population. The percentage of people in the lower class has consistently fallen everywhere, with the exception of the recently crisis-stricken Greece. The relative size of the middle class rose (except for crisis-stricken Greece and Spain, as well as the USA where this decrease was compensated for by a rise in the upper class), even though their relative portion of the national wealth experienced a marked drop.

These tendencies point towards the exceedingly fast growth of the wealth (and, to a certain extent, number) of rich people - those who primarily own material and financial assets in developed nations. At the same time one can clearly see the increased relative population of the middle class and the decreased relative population of the lower class.

Table-4. Changes In The Relative Population And Wealth Of Social Groups In Developed And Rapidly Developing Nations

Indicator Country	Number of adults, millions of people 2015/2000	Total wealth, trillions $, 2015/2000	Percentage of lower class in 2015 (changes from 2000***)	Percentage of middle class in 2015 (changes from 2000 ***)	Percentage of upper class in 2015 (changes from 2000 ***)	Percentage of wealth of the lower class in 2015 (changes from 2000***)	Percentage of wealth of the middle class in 2015 (changes from 2000***)	Percentage of wealth of the upper class in 2015 (changes from 2000***)
USA	243 349 /205 439	85,901/ 42,941	50,0 (–1,49)	37, 75 (–0,68)	12,25 (+2,17)	1,3 (–0,2)	19,6 (–3,1)	79,1 (+3,3)
UK	48 696 / 44072	15 601/ 7,184	30,4 (–4,5)	57,39 (+0,8)	12,21 (+3,7)	2,2 (–1,1)	39,7 (–9,0)	58,1 (+10,1)
Japan	104 279/ 100 670	19,837/ 19,316	31,4 (–4,6)	59,5 (+2,0)	9,1 (+2,6)	3,5 (–1,0)	49,0 (–3,5)	47,5 (+4,5)
France	48 450 / 44 066	12,697/ 4,566	38,3 (–10,4)	49,2 (+3,3)	12,5 (+7,1)	2,0 (–2)	38,6 (–11)	59,4 (+13)
Germany	67 079 / 64 614	11,939/ 5,800	50,0	42,43	7,57	2,5 (–0,5)	39,9 (–6)	57,6 (+6,5)
Canada	27 677/	6,872/	41,7	47,75	10,5	2,5	39,0	58,5

	22 764	2,469	(–8,0)	(+3,7)	(+4,3)	(–1,7)	(–4,6)	(+6,3)
Australia	16 919/ 13 879	6,174/ 1,432	19,7 (–10,5)	66,06 (+2,8)	14,2 (+7,7)	1,3 (–2,1)	40,3 (–12,4)	58,4 (+14,5)
Switzerland	6 156/ 5 523	3,491 / 1,284	41,5	44,49	14,0	2,5 (–0,4)	19,9 (–2,4)	77,6 (+2.8)
Sweden	7 369 / 6 720	2,294 / 849	49,1	39,45	11,5	3,1 (–2,4)	22,0 (–4)	74,9 (+6,4)
Spain	37 573. 31 695	4,195 / 2,045	40,4 (+0,0)	55,75 (–0,25)	3,8 (+0,25)	6,0 (+0,1)	52,4 (–2,9)	41,6 (+3,0)
Greece	9 131/ 8 535	0,743/ 0,493	50,0 (+4,6)	47,19 (–4,3)	2,8 (–0,3)	н. д.	53,6 (–1,4)	н. д.
Taiwan	18 449/ 16 880	3,592/ 1,804	25,4 (–15,0)	59,4 (+5,1)	15,2 (+9,9)	1,2 (–3,8)	29,6 (–14,4)	69,2 (+18,2)
South Korea	38 912 / 32 993	3,545/ 1,097	52,5 (–9,9)	44,63 (+8,3)	2,9 (+1,6)	7,3 (–8)	47,4 (–13)	45,3 (+21)

***The number in parentheses indicates the change of this percentage over 15 years. This table uses a part of the data from (Credit Suisse Global Wealth Databook, 2000–2015).

Let us consider the dynamics of these processes by taking a closer look at a few countries from different regions around the world. The developing world is also demonstrating a small growth of its (relatively small) portion of wealthy people (except for the crisis-stricken Egypt). At the same time we see that Poland, Mexico and Columbia are demonstrating a noticeable growth of their middle classes at the expense of their lower classes. As demonstrated in table 5, these same countries are showing an increase in the portion of the national wealth that is owned by the middle class. In Russia, Turkey and Egypt, the lowered effectiveness of the economy has led to an increase in the relative size of the lower class, while the middle class loses both population and wealth.

Table-5. Changes in the Relative Population and Wealth of Social Groups in Developing Nations

Indicator Country	**Number of adults, millions of people 2015/2000**	**Total wealth, trillions $, 2015/2000**	**Percentage of lower class in 2015 (changes from 2000***)**	**Percentage of middle class in 2015 (changes from 2000 ***)**	**Percentage of upper class in 2015 (changes from 2000 ***)**	**Percentage of wealth of the lower class in 2015 (changes from 2000***)**	**Percentage of wealth of the middle class in 2015 (changes from 2000***)**	**Percentage of wealth of the upper class in 2015 (changes from 2000***)**
Poland	30 326/ 27 677	0,739/ 0,246	79,7 (–12,2)	19,33 (+11,6)	0,97 (+0,6)	н. д.	43,4 (+11,7)	н. д.
Mexico	75 422/ 56 431	1,957/ 0,987	81,9 (–4,7)	17,12 (+4,5)	0,98 (+0.2)	23,8 (–3)	40,4 (+5)	35,8 (–2)
Columbia	31 382/ 22 720	0,643/ 0,150	83,8 (–8,35)	15,27 (+7,45)	0,93 (+0,9)	н. д.	42,6 (+7,9)	н. д.
Russia	109 516/ 107 830	1,284/ 0,317	95,4 (+0,6)	4,1 (–0,7)	0,5 (+0,1)	н. д.	16,8 (–8,1)	н. д.
Turkey	53 083/ 39 223	1,025/ 0,484	89,3 (+4,6)	9,91 (–4,52)	0,8 (+0,08)	н. д.	27,8 (–9,8)	н. д.
Egypt	54 333/ 36319	0,379/ 0,260	94,6 (+10,5)	5,02 (–10)	0,38 (–0,5)	н. д.	25,2 (–11,5)	н. д.

***The number in parentheses indicates the change of this percentage over 15 years. This table uses a part of the data from Credit Suisse Global Wealth Databook (2000–2015).

The dynamics of the word's two mega countries – China and India – is of special interest given these countries' greatly increased role on the world stage in recent years. While demonstrating rather significant lower class populations, both countries are showing signs of decreasing the size of this group, while increasing the size of the middle class and greatly increasing the size of the upper class (Acemoglu and Robinson, 2012). Note that the rapid increase of the wealth of the upper class has occurred chiefly due to a noticeable decrease of the wealth of the lower and middle classes (Sharma, 2012).

Table-6. Changes in the Relative Population and Wealth of Social Groups in China And India

Indicator Country	**Number of adults, millions of people 2015/2000**	**Total wealth, trillions $, 2015/2000**	**Percentage of lower class in 2015 (changes from 2000***)**	**Percentage of middle class in 2015 (changes from 2000 ***)**	**Percentage of upper class in 2015 (changes from 2000 ***)**	**Percentage of wealth of the lower class in 2015 (changes**	**Percentage of wealth of the middle class in 2015 (changes**	**Percentage of wealth of the upper class in 2015 (changes from 2000***)**
China	1 013 536	22,817/	88,7	10,73	0,57	32,4	32,2	35,4

	/822 228	4,664	(–2,7)	(+2.25)	(+0,45)	(–21)	(–4,5)	(+25,5)
India	792 023 / 571 138	3,447 / 1,163	96,9 (– 0,16)	2,99 (+0.04)	0,2 (+0.12)	36,0 (–15)	22,6 (–4)	41,6 (+19)

***The number in parentheses indicates the change of this percentage over 15 years. This table uses a part of the data from Credit Suisse Global Wealth Databook (2000–2015).

6. Conclusions

The number of millionaires in developed nations is 3-4 times smaller than the corresponding number of upper class citizens. In addition to this, the ratio of the number of representatives and owners of middle businesses to those of small businesses does not exceed three percent. Analogous ratios are seen when considering middle businesses and large businesses, which can be attributed chiefly to high levels of competition. These numbers are 1.5 and 2 times higher in rapidly developing and developing countries, respectively, which can be explained by various factors that weaken competition. In developing nations, the portion of millionaires is 5-10 times smaller than the portion of the upper class.

Changes in the populations of social groups defined in terms of their wealth, and of the wealth of these social groups, demonstrate that the world is experiencing an increase in the portion of wealth that is concentrated among the upper class. At the same time we note that the relative size of this group is also increasing. The relative size of the middle class in developed and successfully developing nations is also increasing, even though their relative share of the national wealth is decreasing. The share of the wealth owned by the lower class is also falling.

Therefore, the world is experiencing an ever-increasing concentration of capital among the upper class (Acemoglu and Robinson, 2012), whose relative size is also increasing. In developed nations, a third of these people have a net worth of over 1 million USD, while in developing nations the number of millionaires is about 10-20% of the number of upper class citizens, whose number and wealth are also increasing. They are the drivers of economic growth, which gives one cause to believe in its continued positive dynamics (De Soto, 1989; Easterly, 2001)).

The total level of wealth in the world is increasing, as is the size of the middle class in successfully developing economies, which contributes to social optimism in these nations. Correspondingly, this leads to the formation of social attitudes that provoke the reform of governmental management and economic policies in those countries that are lagging behind economically.

The worrying attempts to significantly limit economic freedom in certain nations and international unions will only contribute to strengthening the positions of developing – and formerly marginal – countries, which do not have a tendency to worry about the mercantile demands of the electorate and the local conservative business community. There is no need to fear monger society with temporary difficulties created by the appearance of strong competitors created by globalization and the increased appetites of big businesses that solidified and strengthened their positions in the context of liberalization. No one is calling for harsh ignorance of the interests of the passive portion of the population and the business community, which is seen among the Asian and Latin American competitors – rather, their interests need to be taken into account to a reasonable extent. Otherwise, you may quickly find yourself lagging behind. This is a position of defence, which is necessarily less advantageous. An active position demands different actions. One should not shoo away persistent competitors, creating artificial barriers to market penetration – rather, one should seek to be at the forefront of globalization. Throughout this, one should seek synergy on a global scale, attempting to connect the global community in order to solve the problems of progress that have been formulated by the highly educated elite of developed nations. To do this, we must unite the efforts of governmental management and big businesses – to reach a consensus between them with regards to intentions and procedures. Growing economic power and the use of the intellectual, organizational and material resources of the global community for development at home are certain to significantly increase the wealth of each and every nation.

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