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## PETERSON INSTITUTE PUBLISHES NEW BOOK ON EMERGING-MARKET TYCOONS AND THEIR MEGA FIRMS

**WASHINGTON**—Extreme wealth may be the object of envy and resentment, but a new book shows that in many cases in the developing world, the creation of that wealth is correlated positively with jobs, increased economic prosperity, and elevation of the middle class. Written by [Caroline Freund](#) and published by the Peterson Institute, [\*Rich People Poor Countries: The Rise of Emerging-Market Tycoons and their Mega Firms\*](#) examines how the richest men and women in the world made their fortunes—and analyzes whether the superrich are rising innovators or whether their wealth stems from bequests or political connections. Freund finds that extreme wealth in emerging markets is growing more rapidly than in advanced countries, and that their new wealth is primarily not the socially dubious resource- and politically-connected wealth of the past. Rather, in many developing countries, an expanding group of entrepreneurs has created large productive businesses, contributing to modernization and employment creation.

“The path to wealth both for individuals and for growing economies is for innovative, efficient new companies to generate value on a global scale,” says Adam Posen, president of the Institute. “Caroline Freund creatively brings together the latest empirical research on export superstars in trade (on which she is a leading scholar), a groundbreaking analysis of the sources of the world’s greatest fortunes, and big-picture development theory. Out of this unique synthesis, Freund gives us fresh evidence-based insights into whether robber barons do an economy good, as in 19th century America, and rent-seeking incumbents stymie development, as in much of Latin America.”

The book begins by showing that billionaire wealth has grown more than 500 percent between 1996 and 2014, with especially rapid growth outside of the advanced economies. In 2014, 43 percent of the world’s billionaires were from emerging markets, up from 20 percent ten years prior. The source of wealth for each individual billionaire is researched to understand the activities that are most highly rewarded around the world. An important finding is that the fastest growing group among the emerging-market tycoons are company founders who grow their businesses into export superstars. These innovators create new products and technologies that succeed in global markets.

Freund further finds that large-scale entrepreneurship and mega firms are linked with development and modernization, as was the case in the United States in the Gilded Age of the 1800s, South Korea in the 1960s, and other periods of rapid industrialization. Companies like Alibaba—started by an English teacher in China with 18 friends and students, now employing 24,000 people and moving more goods than Amazon and eBay combined—are the majority of firms behind such change. Alibaba’s founder along with hundreds of other now wealthy emerging-market entrepreneurs have compiled

an impressive record of providing employment opportunities that have raised living standards in regions that have not always enjoyed such success.

In other words, the fastest growing economies rely on the development of large private businesses for growth and this creates extreme wealth. In contrast, weaker economies tend to look inward, with relatively less overall wealth accumulation that accrues largely through inheritance and political connections. Freund concludes that “not all inequalities are the same. Large-scale entrepreneurship is critical for growth, so government policy should promote innovation and entrepreneurship even if it generates extreme wealth. To encourage inclusive growth, governments should restrict opportunities for politically-connected businesses to game the system, while considering higher taxes on inheritance, finance, and real estate.”

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*Rich People Poor Countries:  
The Rise of Emerging-Market Tycoons and their Mega Firms*  
Caroline Freund  
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## About the Author

**Caroline Freund** is senior fellow at the Peterson Institute for International Economics. She was chief economist for the Middle East and North Africa at the World Bank. She has also worked in the research departments of the World Bank, the International Monetary Fund, and the Federal Reserve Board. She has published numerous articles in economics journals and has contributed to many edited volumes. Her work has been cited in leading magazines and newspapers, including *Business Week*, *Economist*, *Financial Times*, *New York Times*, *Wall Street Journal*, and *Washington Post*. She is a member of the US Export-Import Bank Advisory Committee and teaches trade policy at Johns Hopkins School of Advanced International Studies. She is on the scientific committees of CEPII (Institute for Research of the International Economy, Paris) and the Economic Research Forum (Cairo) and is a member of the Center for Economic Policy Research.

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