GLOBALISATION'S "GAME OF THRONES"

The world's super-rich families compete and cooperate for control not just over nations but over entire regions and the planet as a whole. Globalisation has facilitated the widespread reach of the "family office", now the central institution of modern family dynasties.

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Part 1 – Dynastic Power in the Modern World

Think of any period in human history when empires and imperialism were common features of society, whether from ancient Egypt, Rome and China to the Ottomans and the rise of the European and Japanese empires. There is an institution that—with few exceptions—was prevalent across most imperial societies: the family dynasty.

In a world dominated by institutions—organised hierarchically and embedded with their own functions and ideologies—the "family unit" is very often the first and most important institution in the development of individuals. For the rich and powerful, the family unit has been the principal institution through which power is accumulated, preserved and propagated, precisely because the interest is multigenerational, requiring long-term planning and strategy.

In powerful states and empires, families have been essential in the process of constructing and governing the major institutions within those societies as well as in the direct control of the imperial or state structure itself. Whether headed by emperors, kings, queens or sultans, family dynasties have very often exerted direct political control of society. This has been the case for much of human history, at least so long as empires and states have been consistent features. And yet, in the modern era, we imagine our societies to be free of dynastic rule—an archaic feature of a world long past, not consistent with the ideals and functions of democracy, capitalism or modernity. We might imagine this to be true, but we would, in fact, be wrong.

Dynastic power not only remains, but it evolves and adapts. In the present world of "globalisation"—with the growth of the modern nation-states, with the development of state capitalist societies, the banking and financial systems, the monetary–central banking system, industrialisation and multinational corporations—in a world largely dominated by a single state, the USA, acting as the international imperial arbiter on behalf of powerful corporate and financial interests, dynastic power remains a central institution in the global system.

As the political and economic spheres began to be opened up, new structures emerged to centralise power quickly within those spheres. As kings and queens handed over the ultimate authority to issue coin to other institutions, merchants and financiers stepped in to increase their influence over the new institutions of a changing world order. Out of these monumental social transformations came new dynasties embedded within the financial, industrial and corporate oligarchies. Their power was not in direct control of the political apparatus but in their concentration of control over the financial, economic and industrial spheres. With that power inevitably came both the desire and the ability to influence and pressure the political sphere.

Today it is the industrial, financial and corporate dynasties that have risen to unparalleled positions of authority in the age of globalisation. And yet, while some of their names ring familiar to the ears of many, they are frequently thought of as relics of past centuries rather than titans of today, or their names are altogether unfamiliar, as are their positions and influence within our societies. We see power, typically, in terms of those who hold political office: prime ministers and presidents whom we elect, as is consistent with our belief that we live in democracies. We see competing factions of political parties vying for office, with us—the people—as the ultimate arbiters of who gets to hold power. The influence of globalisation's dynasties remains unseen, or misunderstood.

A perfect example of this is with the immense popularity of the television show *Game of Thrones* [based on the acclaimed book *A Game of Thrones* and series *A Song of Ice and Fire*]. In this show, set in a mythical world yet largely based upon the historical rivalries of the War of the Roses, we witness the characters evolve and events unfold as several families and dynasties battle each other and conspire, compete and cooperate for control of the known world. They are frequently ruthless, cunning and deceitful, often surrounded by "yes men" or the poison-tongued advisers who rose to their positions not by virtue of birth and name but by their individual capacities for manipulation and cunning. It is a world in perpetual war and engrossing poverty, with the privileged few sending the poor to fight their battles for them, to die and suffer while the rich few propagate and prosper.

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Indeed, the world of *Game of Thrones*—so popular in our culture—is not so far from the reality of our culture itself. In the world of globalisation, families cooperate, compete and perhaps even conspire against and with each other or themselves. They keep the politics of dynastic power from being understood or contemplated by the masses. We are distracted with sports, entertainment, royal weddings, a fear of foreigners and terrorism, and are blinded and manipulated by a deeply embedded propaganda system. Our celebrity culture celebrates banality and irrelevance: we tune in to the latest "Kim Kar-crash-ian" disaster of a human being that plasters the tabloids, while we tune out to the rivalries and repercussions of globalisation's "game of thrones".

While modern dynasties share many characteristics of past ruling families, they have their major distinctions, largely derived from the fact that most of them do not hold formal political or absolute authority. Past dynasties typically held absolute authority over their local regions, states or kingdoms. That type of authority does not exist at the major state, regional or global levels today, although with a few exceptions such as the ruling monarchs of the Gulf Arab dictatorships. Yet, while the mechanism of authority is less centralised or formalised in the modern world, the scope and reach of authority—or influence—has expanded exponentially. In short, while in past eras a single family may have exerted absolute authority over a comparably small region or empire, today the indirect influence of a dynastic family may reach across the globe, though it remains far from absolute.

Families that have established modern dynasties typically rose to prominence through their concentration of power and wealth in financial, industrial and corporate spheres. From these positions, political power and influence became a necessity, or else the loss of economic power would be an inevitability.

Such dynasties would frequently establish a "family office"—a private corporate entity—which would handle all of the investments, interests and finances of a dynasty. They would create universities which would focus on producing knowledge and intellectuals capable of managing changes within and protecting the social order, instead of channelling intellectual talents or pursuits into areas that challenge the prevailing order.

Dynastic families establish "philanthropic foundations" to serve a dual purpose of justifying their wealth and influence (by being perceived as "giving back") but which, in actuality, provide concentrations of wealth managed for the purpose of "strategic giving"—to undertake social engineering projects with an ultimate objective of maintaining social control. While appearing to be "charitable" institutions, the major foundations are predominantly interested in the process of long-term social engineering. Notable among such foundations are The Rockefeller Foundation, Carnegie Corporation, Ford Foundation, Open Society Foundations and the Bill & Melinda Gates Foundation, among many others.

Not unrelated, as they are frequently established and funded by foundations, think-tanks are created with the intent to bring elite interests together from a wide array of institutions: financial, industrial, corporate, academic/intellectual, media, cultural, foreign policy and political spheres. In think-tanks, top officials from these sectors are gathered in a single institution where they work together to plan strategies for economic and foreign policies, for establishing consensus between elites, and to serve as training and recruitment grounds for officials to enter the political and foreign policy establishment where they are capable of enacting the very policies developed within the think-tanks.

Notable think-tanks with immense influence—specifically in the USA—include the Council on Foreign Relations, The Brookings Institution, the Carnegie Endowment and the Center for Strategic & International Studies. Larger, international think-tanks have become increasingly common during the era of globalisation, uniting respective elites from across the powerful western industrial states instead of simply the elites within each respective state. Among these institutions are The Trilateral Commission, the Bilderberg Group and the World Economic Forum.

The prevalence of financial, industrial and corporate dynasties within these institutions has ensured that such families have significant political influence and, moreover, have played pivotal roles in the construction and evolution of our modern state–capitalist society.

Part 2 – Managing the Wealth of the World's Dynasties: A Family Affair

Corporate America can frequently be seen as the emblem of the "self-made" rich, a representation of a supposedly democratic capitalist society where firms are run by "professional managers" who received the right education and developed the appropriate talents to make successful companies. The reality, however, is that roughly a third of the *Fortune* 500 companies (that is, many of the world's largest multinational corporations) are in fact "family businesses", frequently run by family members and often outperforming the "professionally managed" firms "by a surprisingly large margin", noted the *New York Times*. Dynastic trusts allow super-rich families "to provide their heirs with money and property largely free from taxes and immune to the claims of creditors", not only providing for children but "for generations in perpetuity—truly creating an American aristocracy".

Under laws that pre-date the formation of the USA as an independent nation, such family trusts were only able to limit the term of the existing trust to roughly 90 years, after which the property and wealth which was consolidated into the trust would be owned directly by the family members. However, in changes that were implemented through Congress in the mid-1980s and in state legislatures across the USA in the 1990s, the rules were amended, with pressure from the banking lobby, to allow family trusts to exist "forever"—a quiet coup for the existing and emerging aristocratic American class.

Of Rockefellers and Rothschilds

One of the world's most famous family trusts—the "family office"—is that of Rockefeller & Co., now known as Rockefeller Financial. It was founded in 1882 by the oil baron–industrialist John D. Rockefeller as the "family office" to manage the Rockefeller family's investments and wealth. Roughly a century after it was founded, in the 1980s Rockefeller & Co. began selling its "expertise" to other rich families, and by 2008 the trust had roughly US$28 billion under management for multiple clients.

When the CEO of Rockefeller & Co., James S. McDonald, shot himself in an alley behind a car dealership in 2009, the family looked for and found a successor in the former Under Secretary of State for Economic, Business, and Agricultural Affairs for the Bush administration, Rueben Jeffery III, a former partner at Goldman Sachs. Jeffery was responsible for handling the family's wealth throughout the global financial crisis, and, by 2012, the assets under management by Rockefeller Financial had grown to $35 billion.

While prominent family trusts have become increasingly attractive for other rich families and institutions to handle their wealth, they have also become attractive investments in and of themselves. One of Europe's largest banks, the French conglomerate Société Générale (SocGen) purchased a 37 per cent stake in Rockefeller & Co. in June 2008. However, with the European debt crisis, the bank had to cut a great deal of its assets, and so in 2012 Rueben Jeffery III managed the sale of the 37 per cent stake in the Rockefeller enterprise from SocGen to RIT Capital Partners, the investment arm of the London Rothschild family, one of the world's most famous financial dynasties.

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Early in 2012, the Rothschild family, with various banks and investment entities spread out across multiple European nations and family branches, was making a concerted effort to begin the process of "merging its French and British assets into a single entity", aiming to secure "long-term control" over the family's "international banking empire", reported the *Financial Times*. The main goal of the merger was "to cement once and for all the family's grip on the business", giving the family a 57 per cent share in the voting rights, thus protecting the merged entity from hostile takeovers.

Thus, as the Rothschild banking dynasty was seeking to consolidate its own family interests across Europe, they were simultaneously looking to expand into the USA through the Rockefellers.

Thus, when Lord (Jacob) Rothschild—who manages the British Rothschild's family trust, RIT Capital Partners—announced that RIT would be purchasing a 37 per cent stake in Rockefeller Financial Services in May 2012 for an "undisclosed sum", it was announced as a "strategic partnership" that would allow the Rothschilds to gain "a much sought-after foothold in the US", representing a "transatlantic union" that officially unites the two family patriarchs of David Rockefeller and Jacob Rothschild, "whose personal relationship spans five decades".

The Family Office

The world's largest private banks have specific "family office arms" which are dedicated to managing dynastic wealth, and these banks continue to dominate the overall market.

A top official at HSBC Private Bank was quoted by the *Financial Times* as saying: "Very wealthy families are becoming more and more globalised. It's not just the fact that they are acquiring assets—like real estate—in several jurisdictions, but family members are scattered around the globe and need to be able to transact in those countries." In effect, we are witnessing the era of the globalisation of family dynasties.

As such, regardless of where many family fortunes are made, the family office has come to represent the central institution of modern dynasties.

Such a view is shared by Carol Pepper, a former financial adviser and portfolio manager at Rockefeller & Co. who in 2001 established her own consulting firm, Pepper International, specialising in advising families with more than $100 million in net worth. In a 2013 interview with *Barron's*, Pepper explained that with the globalisation of higher education—where the super-rich from around the world send their children to the same prominent academic institutions—as well as with the emergence of associations designed to bring wealthy families together, "the 19th century [is] coming back", referring to the era of "robber baron" industrialists and co-operation between the major industrial and financial fortunes of the era.

The globalisation of family dynasties and the "return" to the 19th century is an institutional phenomenon facilitated by elite universities, business and family associations, international organisations, conferences and other organisations. Thus, regardless of geographic location, the world's wealthiest families tend to send their children to one of a list of relatively few elite universities such as Wharton, Harvard or The London School of Economics. At these and similar schools, noted Carol Pepper, the future heirs of family fortunes attain "both the know-how and the contacts for forging overseas collaborations between family businesses".

So-called "non-profit" associations like the International Family Office Association, The Family Business Network and ESAFON, among others, are institutional representations of "intentional efforts by rich clans to rub shoulders with one another". Instead of a rich family in one region hiring an outside firm to introduce them to a new market, they simply are able to reach out directly to the wealthy families within that market, and, as Pepper explained, their interests will be increasingly aligned and "hopefully you'll all make money together". Instead of relying on banks as intermediaries between markets, rich families with more than $47 million to invest are pooling their wealth into the multi-family offices (MFOs).

As the *Wall Street Journal* noted, family offices "are private firms that manage just about everything for the wealthiest families: tax planning, investment management, estate planning, philanthropy, art and wine collections—even the family vacation compound". As such, regardless of where many family fortunes are made, the family office has come to represent the central institution of modern dynasties. The growth of multi-family offices has been astounding, with the number increasing by 33 per cent between 2008 and 2013, with more than 4,000 in the USA alone, the country with the highest number of wealthy families and individuals, including 5,000 households that have more than $100 million in assets.

In 2012, the largest multi-family offices were largely associated with major banks, including HSBC, BNY Mellon, UBS, Wells Fargo and Bank of America, but Rockefeller Financial maintained a prominent position as the 11th largest multi-family office (according to assets under advisement and number of families being served).

Beyond the specific arm of the "multi-family office" to the top wealth management groups as a whole, private bank branches of some of the world's most recognisable bank names dominated the list: Bank of America Global Wealth & Investment Management, Morgan Stanley Smith Barney, J.P.Morgan, Wells Fargo & Company, UBS Wealth Management, Fidelity Investments and Goldman Sachs, among others. However, after the top 19 wealth management companies in the world—all of which are arms of major global banking and financial services conglomerates—came number 20 on the list: Rockefeller Financial.

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Indeed, things have never been better for the super-rich. In 2013, *Bloomberg Markets* magazine reported that the number of wealthy people in the world with more than $1 million in investable assets had increased by 9.2 per cent over 2012, reaching a new record of 12 million individuals, and the assets of the rich increased by roughly 10 per cent, reaching a combined total of roughly $46.2 trillion. With this growth in extreme wealth, the wealth management business is itself becoming a major growth industry, with independent firms competing against the big banks in a race to manage the spoils of the world's super-rich.

The managing director and chief investment officer of the Goldman Sachs arm Private Wealth Management, Sharmin Mossavar-Rahmani, told *Barron's* in 2012: "This is the time to be a long-term investor… There are very few market participants in today's environment who can truly be long-term investors. Who can really afford to be a long-term investor? The ultra-high-end client is the only one we could think of, because they generally have more money than their spending needs." In addition, she noted that "their assets are multigenerational" and, what's more, "they are not accountable to anyone".

In a world of immense inequality, with the super-rich controlling more wealth than the rest of humanity combined, the wealth management industry and, within it, the "family office" have become growth industries and increasingly important institutions. The whole process of globalisation has facilitated not only the internationalisation of financial markets, multinational corporations and the economies they dominate, but it has in turn facilitated the globalisation of family dynasties themselves, whose wealth is largely based on control over corporate and financial assets and institutions.

In globalisation's "game of thrones", the world's super-rich families compete and cooperate for control not simply over nations but over entire regions and the world as a whole. As dynasties seek perpetuation, most people on this planet are concerned with survival. Whoever wins this "game of thrones", the people lose. ∞

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