

Plutonomy - the Citigroup plan for the mega-rich - at c...

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In September 2006 Citigroup published a report which they have been trying to suppress ever since. It was on what they called plutonomy - an idea they'd been hawking around for a while and which was summarised in the [Wall Street Journal in 2007 as follows](#):

Ajay Kapur, global strategist at Citigroup, and his research team came up with the term "Plutonomy" in 2005 to describe a country that is defined by massive income and wealth inequality. According to their definition, the U.S. is a Plutonomy, along with the U.K., Canada and Australia.

In a series of research notes over the past year, Kapur and his team explained that Plutonomies have three basic characteristics.

- 1. They are all created by "disruptive technology-driven productivity gains, creative financial innovation, capitalist friendly cooperative governments, immigrants...the rule of law and patenting inventions. Often these wealth waves involve great complexity exploited best by the rich and educated of the time."*
- 2. There is no "average" consumer in Plutonomies. There is only the rich "and everyone else." The rich account for a disproportionate chunk of the economy, while the non-rich account for "surprisingly small bites of the national pie." Kapur estimates that in 2005, the richest 20% may have been responsible for 60% of total spending.*
- 3. Plutonomies are likely to grow in the future, fed by capitalist-friendly governments, more technology-driven productivity and globalization.*

The [first page of the report](#) - now pretty much only available via the Real World Economic Review as the original has been hidden from view - looked like this:

The Global Investigator

The Plutonomy Symposium - Rising Tides Lifting Yachts

⌘ **Time to re-commit to plutonomy stocks — Binge on Bling.**

Equity multiples appear too low, the profit share of GDP is high and likely going higher, stocks look likely to beat housing, and we are bullish on equities. The Uber-rich, the plutonomists, are likely to see net worth-income ratios surge, driving luxury consumption.

Buy plutonomy stocks (list inside).

⌘ **Plutonomy stocks at a premium, but relative pricing power is key.**

⌘ **Our Plutonomy Symposium take-aways.**

The key challenge for corporates in this space is to maintain the mystique of prestige while trying to grow revenue and hit the mass-affluent market. Finding pure-plays on the plutonomy theme, however, is tricky.

⌘ **Plutonomy and the Great Conundrums of our age.**

We think the balance sheets of the rich are in great shape, and are likely to continue to improve. Don't be shocked if the savings rate worsens as equities do well.

⌘ **What could go wrong?**

Beyond war, inflation, the end of the technology/productivity wave, and financial collapse, we think the most potent and short-term threat would be societies demanding a more 'equitable' share of wealth.

It's almost laughable but for three things.

It's true.

It's what these people think.

Their wealth has recovered even if no one else's has.

So the opportunity for the game to start again already exists.

And note that last paragraph - there's knowing game of suppression of others in this strategy. This is class warfare. Make no mistake about it.