

# The Justifiability of Billionaires on Socio-Economic Grounds

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**Abstract:** This essay explores the complex socio-economic and political implications of the presence of billionaires, guided by the paradoxical views on their impact on society. It critically analyzes the potential benefits and drawbacks of banning billionaires, using diverse examples and evidence to illustrate points. The essay begins by discussing the significant role of billionaire philanthropy in healthcare and education, highlighting how their wealth enables substantial contributions that fill gaps left by government welfare programs. It also covers the positive effects of billionaire investments in economic growth, job creation, and reducing educational disparities, arguing that these contributions can help alleviate class conflicts and complement inadequate government welfare programs. Conversely, the essay examines the negative aspects of billionaire influence, including tax evasion, widening wealth gaps, and the potential for fostering crony capitalism. It argues that while the presence of billionaires can lead to improved tax compliance and economic stability, their ability to evade taxes and accumulate wealth exacerbates income inequality and undermines democratic principles. Furthermore, the essay touches on the role of billionaires in bridging international relations, using the example of Elon Musk's visit to China as a case where billionaire involvement has eased geopolitical tensions. Overall, the essay posits that while banning billionaires might mitigate certain societal and economic inequalities, their contributions in terms of philanthropy, investment, and political influence generally outweigh the negatives. It suggests that the presence of billionaires is a double-edged sword, presenting both challenges and opportunities for society.

**Keywords:** Billionaires, Equality, Equity, Poverty, Wealth Distribution.

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## 1. Introduction

Bill Gates once said, "If you are born poor it's not your mistake, but if you die poor it's your mistake" [1]. Billionaires refer to people who have at least 1,000,000,000 dollars, pounds, euros, etc. property [2]. The presence of billionaires is arguably paradoxical: some voices are claiming that the presence of billionaires boosts economic development, while the opposite refutes this opinion and argues that the billionaires should be eliminated to sustain a more democratic and efficient society. This essay would mainly analyze the benefits and drawbacks of banning billionaires in socioeconomics and in politics.

## 2. Organization of the Text

### 2.1. Benefits of Billionaire Philanthropy

#### 2.1.1. Health care and Education

Philanthropy is intricately linked to billionaires, as their significant wealth enables them to make substantial contributions and support charitable endeavors that have the potential to create positive societal impact. One of the most significant impacts philanthropies has had on the healthcare system is giving patients a seat at the table. Philanthropy could motivate biomedical scientists to apply their knowledge and abilities to treat diseases that disproportionately impact the developing world. The Bill and Melinda Gates Foundation has given away more than US \$7.8 billion in the last 13 years, including \$2 billion for efforts tackling various diseases, \$1.9 billion for vaccines, and \$448 million for the Grand Challenges for Global Health projects [3]. Billionaire philanthropy also helps to fill the education gap that the government failed to take care of. The endowment for

education promotes socio-economic progress, which lowers inequality and poverty. It equips individuals with the skills and knowledge needed to access better employment opportunities, contribute to economic growth, and participate in policy decision-making processes [4]. Therefore, billionaire philanthropy fulfills some of the unmet needs in the society, particularly those from the most vulnerable groups. In this sense, it serves as a complement to the inadequate government welfare programs.

#### 2.1.2. Investment

Investment from the super-rich injects new energy to society. Billionaires play a crucial role in benefiting society through economic growth, despite concerns about wealth distribution, as their investments and contributions drive job creation, corporate growth, and overall economic stimulation. The first way that billionaires benefit society is through offering an opportunity for economic growth: as the ultra-rich enjoy a bigger slice of the economic pie, others will get a smaller share. However, individuals like Jeff Bezos and Bill Gates would have increased output and provided goods and services that the general public valued, not decreased it [5]. Insofar as billionaires obtain their wealth by making investments in businesses, they promote employment and accelerate market growth. The investment could solve the problem of lack of jobs and the missing internal demand [6-8]. Many billionaires invest in private companies through private equity, and the amount of money invested in private equity is increasing year by year [9]. Investments in private equity strengthen the labor productivity, employment, profitability growth, and capital expenditures of publicly traded companies that are in the same nation and sector as the private equity [10]. This is achieved as the private equity firm often step in and provide the portfolio company with

necessary financial capital, along with expertise and resources to restructure the company, streamline operations, and drive growth [11]. Secondly, private equity creates a positive externality. For instance, the expansion of employment may attract more workers to the region, who would shop at the neighboring stores and perhaps even move closer to their place of work [12].

Even though billionaires are solidifying the class formation, their presence could sometimes help alleviate class conflicts to some extent. Billionaires play a significant role in addressing inequality through investment in education, which has a positive impact on reducing educational disparities. Their contributions help improve access to quality education, provide resources to disadvantaged communities, and promote equal opportunities for all. Through initiatives focused on education, billionaires contribute to narrowing the gap between the privileged and the underprivileged, fostering a more equitable society.

### **2.1.3. Complementing inadequate government welfare program**

Thirdly, the presence of billionaires contributes to society's overall effectiveness, especially when compared to bureaucratic institutions. Government has long been criticized for being bureaucratic. Banning the ultra-rich would only exacerbate this issue as billionaires often contribute to solving collective action problems where governments have failed. Their wealth provides social good in a more efficient manner than when it is taxed and redistributed. Corporate leaders are generally more accountable to their fellow citizens than public officials [5]. For one, corporate leaders often take into account the interests of non-citizens such as refugees or other countries' citizens: the U.N. refugee agency reports that more than 30 firms, including large corporations and small and medium-sized businesses, have pledged more than \$250 million to improve the lives of refugees and the host communities [13]. For another, billionaires are not immune from broader accountability, unlike public officials who are ensconced in a secure political cradle.

## **2.2. Drawbacks of Billionaire Philanthropy**

### **2.2.1. Tax evasion and its implication for societal development**

Nonetheless, billionaires pose serious threats to a democratic and equal society. Banning billionaires could lead to improved tax compliance, reduced income inequality, enhanced trust in the tax system, and increased economic stability. There are various ways for billionaires to evade taxes, including trusts, offshore accounts, and private foundations [14]. Tax evasion is regarded as a violation of human rights and as "a form of corruption that harms the poor" [15]. Nearly 30% of the \$500 billion in wealth held by wealthy Africans is stashed away in tax havens (Melin, 2021). With this much money, 4 million children's lives could be saved through healthcare, and enough teachers could be hired to ensure that every African child attends school [15]. Another implication of tax evasion is the direct financial loss. The ISF tax in France from 1988 to 2018 was a sharp tax act that targets the high net worth population [16-17]. The heavy tax rate incentivizes the ultra-rich to leave France. As the wealth moved abroad, there was a reduction in funds available for investment within the country, leading to a decrease in foreign investment to France [18]. During this period of time, it is likely that the €200 billion in capital flight due to wealth tax will deprive France of tens of thousands of jobs,

explaining some of the growth differentials between France, England, and Germany [16]. This also implies that increasing tax on the billionaires is theoretically effective, but when it is put into practice, it is problematic.

### **2.2.2. Widening wealth gap and income inequality**

The second close scrutiny of inequality concerns the huge economic gap between the ultra-rich and the poor. A worrisome trend has emerged: the billionaires become increasingly wealthy while the poor remain poor: only 1% of the world's population saw increases in wealth in 2017, while the other 99% saw no change at all. Currently, most of the global wealth is flowing into the pockets of the super-rich. Since 2009, the richest 1% in the U.S. have received 95% of all income growth [19]. The wealthiest 5% of families saw an increase in their proportion of U.S. wealth, while the richest 1% saw their share of U.S. income triple within a generation. This phenomenon not only appears in the US, but also in developing countries as well: Bangladesh's population of ultra-high net worth individuals increased at the startling rate of 17.3% between 2012 and 2017 while the country's economy grew by about 7% annually. The wealth Gini was a startling 0.74, representing an extremely high income inequality in Bangladesh [20]. Theoretically, the relationship between wealth inequality and economic growth is negative, but when researchers take into account the fact that some billionaires grew rich through political connections, the relationship changes. Politically unconnected wealth inequality and income inequality are not significantly correlated with economic growth [21]. Hence, banning the super-rich would to some extent alleviate the economic gap. Billionaires have also aggravated the erosion of the middle class, the diverse group of individuals that lies between the elites and the toiling masses. As costs have increased more significantly than wages and inflation, the middle class find it more difficult to pay for commodities and services like housing and healthcare [22]. This further leads to reduced levels of saving and increased level of debt, lowering their social status due to the economic inequality [23].

## **2.3. Bridging Relations**

From a political aspect, billionaires also play a significant role in bridging relations between superpowers. Elon Musk's recent visit to China has had a profound positive impact on easing the tensions between the U.S. and China, despite the escalating geopolitical and military conflicts between the two nations. In Musk's own words, the interests of the United States and China are inextricably intertwined, akin to conjoined twins [24]. Musk's visit has been regarded as a fortuitous turn of events, indicating that the relationship between the U.S. and China has become less strained.

However, critics argue that billionaires can foster crony capitalism by colluding with government officials, bribing for favorable policies such as abolishing the Medical-for-all Act, and seeking personal economic gains. Take the Foundation for Government Accountability Foundation (FGA), an organization fully funded by billionaires, as an example. The FGA will work with select voters to further sway their opinions, leading to a greater number of voters supporting the parties or ideas that billionaires support [25]. It is worth noticing that crony capitalism was only rampant in certain countries such as Russia. Many governments have put in place policies to suppress crony capitalism. For instance, Chinese billionaires face ongoing challenges under stricter government control. The crackdown on private capital

initiated by President Xi has significantly curtailed crony capitalist wealth, reducing it from 4.4% of GDP in 2018 to 2.5% presently [26]

### 3. Conclusion

Banning billionaires will influence society and bring about a number of changes. From an economic perspective, banning billionaires would lead to less philanthropies, such as humanitarian aid, and reduced investment which would have strengthened the economic growth. From a political perspective, it is empirically proved that the billionaires are more effective to tackle collective action problems that the government fails to address. Also, banning billionaires would also cause a loss of buffer and a notable counterbalance between superstates. However, it is undeniable that banning billionaires can be a two-edged sword. The banning would be conducive to the overall society through decreasing tax evasion and capital flight, which have the effect of alleviating the reduction in GDP growth. Additionally, the aggravated inequality caused by billionaires would also be mitigated if we ban them. Therefore, banning billionaires poses a threat to society: despite billionaires' socio-political and moral problems, their contribution to society outweighs the negatives.

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