

From Wealth to Power: Billionaires and Their Influence

By Taeho Lee

In 1848, Karl Marx published a manifesto that outlined his vision for an egalitarian and equal society. With the “abolition of bourgeois property” as the core principle of the manifesto, it promised a land where everyone was equal financially, and the wealthy would cease to exist.¹ Seventy years later, the Tzar of the Russian Empire fell, a change largely attributed to the rise of communism which echoed the ideals of Marx. Despite the strict and often harsh enforcement of the ban on private wealth, wealth disparities still persisted in the subsequent Soviet Union. The “wealthy” were not millionaires or billionaires in the traditional sense, but they wielded all the power and privilege of the Western wealthy. The wealthy and the well-connected in the Soviet Union wielded massive power, with all their material needs taken care of with state funds, instead of with private wealth. Billionaires were banned, but still they existed in practice. This essay will argue that a hypothetical ban on billionaires would not fundamentally alter social and financial power dynamics. This essay does not argue for or against banning billionaires nor does it address the morality of such a ban.

If the world’s richest were forbidden from accumulating wealth, most would seek and exploit loopholes to overcome the ban. When one has such an amount of money, it no longer becomes a method to live a more comfortable life. No individual could feasibly spend billions of dollars solely on their personal lifestyles and consumption. Instead, the accumulation of wealth serves as a powerful tool for projecting influence across the financial, political, and social landscapes of a nation. For example, they can use their vast wealth “to advance unpopular, inequality-exacerbating, highly conservative economic policies” to further their own wealth gain.² They can also directly impact nations by controlling their economy. The Samsung “Chaebol,” based in South Korea, has a massive impact on the nation’s society. Accounting for over 18% of South Korea’s economy, Samsung’s “influence is everywhere, not only in business, but in politics, in education, and in culture.”³ Lee Kun-Hee, the billionaire CEO of the corporation, therefore wields massive power over the nation, and not only in economics, but in politics and culture as well. This power over the South Korean economy and culture exemplifies the concept of “social capital,” which can be leveraged to avoid a ban on their wealth. Pierre Bordieu describes social capital “as accrued actual or virtual resources acquired by [...] more or less institutionalized relationships of mutual acquaintance and recognition.”⁴ Billionaires have many such resources, obtained from relationships created from their massive wealth and influence. With large parts of a nation’s economy held at ransom, they could expend their social capital to retain power. Thus, a ban on billionaires would negatively affect the economy and the culture of the nation, and is unlikely to be properly enforced.

Billionaires who wish to keep their money also have a wide array of methods to do so, retaining their influence even though their physical assets are theoretically gone. For example, they could redistribute and hide their assets overseas if the ban was national. If the ban was international, they could hide their assets in tax-haven countries. Already, “two-thirds of [offshore] companies were set up in the British Virgin Islands, a jurisdiction long known as a key cog in the offshore system.”⁵ This shows that the countries that harbor financial laws antithetical to the rest of the world could serve as a safe haven for billionaires’ wealth. Billionaires bring huge sums of money into tax-haven countries, which then make those countries compete to provide tax breaks, exemptions and lower rates to cater to billionaires.⁶ In addition, they could utilize the multitude of current methods that the world’s billionaires use to avoid paying their share of taxes. “Well-connected tax accountants, lawyers, offshore tax havens, and exploiting loopholes” could be utilized, according to a Forbes report on the infamous Pandora Papers.⁷ The Pandora papers were a “release of nearly 12 million leaked documents that reveal the hidden and sometimes unethical or corrupt dealings of the global wealthy and elite.”⁸ These demonstrate the lengths that the rich go to keep their wealth and politics, and often they sacrifice morals and ethics to do so. Their hesitance to pay fair shares of taxes also leave millions of people shouldering that burden.

Some taxpayers, frustrated with the blatant inequality that billionaires exemplify, may argue that enacting stricter legislation and effective regulatory mechanisms on billionaires may force them to part with their wealth. However, this viewpoint misses that it would be difficult to pass effective legislation and put regulatory bodies in place. The reason is that billionaires exert enormous influence on nations' politics, and it is no different in the United States. Business Insider argues that “billionaires are exponentially increasing the amounts of money they're pouring into US elections,” leading to greater political influence.⁹ Billionaires often fund politicians' campaigns across various countries worldwide, which, in turn, leaves the elected officials indebted to these financiers. Upon assuming office, these politicians find themselves beholden to their requests and wishes, additionally presenting an ethical problem due to corruption. Forbes states that the United States “Republican Party has significant deep-pocketed help from at least 42 billionaires and their spouses, whose political donations will likely pay for a wave of ads.”¹⁰ They can then use these funds as leverage over politicians who create policies, including stopping any regulatory bodies in their tracks. The leverage billionaires have over politicians would make ensuring an effective ban challenging.

Some claim that if the sheltered offshore funds of billionaires were to be frozen by local governments, billionaires would lose their influence and power domestically. However, this would not necessarily correlate to significant changes in the distribution of power and wealth. The wealth held by billionaires is not only held in offshore accounts, but also domestically, which can be used to exert influence. With regulatory bodies likely rendered ineffective and

toothless, there would be little chance of domestic enforcement. Billionaires can also apply novel methods to evade such a ban, as the massive amounts of capital at stake highly incentivises them to find such methods.

Brookings Institute argues that “with the ‘wealthification’ of politics, those in the upper echelon [...] have access to many ways to influence the political process.”¹¹ This can be seen with the fact that on average, the “preferences of economic elites matter 15 times more than those of ordinary citizens.”¹² This huge imbalance in the influence that the rich have in American politics compared with the average citizen illustrates that the wealthiest in society can collectively exert massive amounts of political pressure. In addition, the people with wealth have drastically different views on laws and regulations since the needs and wants of the individual change as each want is met. As an example, McGill foundation argues that “corporate interests tend to be opposed to the interests of the working class, and that they support [...] issues that would be met with resistance by the majority of Americans.”¹³ One could argue that Maslow’s hierarchy of needs is relevant. When one’s own needs are met, the next layer to consider is political power, which in essence is the power over others. Billionaires would naturally oppose a ban since they have views on wealth differing from the average citizen and would not consider the average citizen’s viewpoint relevant. Without addressing the systemic issue of the wealthy having a looming hand in politics, such a law will do little.

Ultimately, such bans have been tried before. Throughout history, there have been many cases where a nation banned the accumulation of wealth, and all have failed. The most notable of such attempts were in communist nations, such as the Soviet Union and China. Communism, at its essence, is the abolishment of private property and private wealth. Today, one hundred and eighty years after its inception, there are no more true communist countries in the world. The remaining nations had to introduce large amounts of the private economy to survive. In China, the largest communist country today, “Maoism is still given lip service but is no longer put in practice.”¹⁴ The countries today that were once communist no longer follow the original ideas of Karl Marx, and they have adopted hybrid models.

This is due to the fact that in those communist, often authoritarian nations, there existed systemic hypocrisy due to individuals who wielded the political power that being a Western billionaire entailed. Some examples were party officials, representatives, and local rulers. Living lavish and comfortable lifestyles with no need for money, they were covered by the state. Some examples of such nations with such people were the Soviet Union, Cuba, and China. The ban on wealth simply did not apply to the well-connected or the already powerful. An example of this is the leader of Cuba, the communist Fidel Castro. According to whistleblowers after his death, Castro “sailed to [his private islands] on his luxury yacht, the Aquarama II, fitted out with rare Angolan wood and powered by four motors sent by the Soviet president.”¹⁵ This display of decadence and luxury contrasts massively with the fundamental principles of communism, in

which equality in wealth is the most important. The hypocrisy doesn't stop at state leaders however. Powerful members in the governments of communist countries also lived in luxury befitting a Western billionaire. Bogdan Kobulov, a senior officer of the Soviet security forces, was described as "fat and disgusting with a fondness for luxury and works of art" by Sergio Beria, the son of the head of the NKVD.¹⁶ Additionally, in China around the year 2007, the efforts by the wealthy Wen family to "conceal [their] wealth reflect the highly charged politics surrounding the country's ruling elite, many of whom are also enormously wealthy but reluctant to draw attention to their riches."¹⁷ This further emphasizes that the attempts by Mao to create a classless and financially equal society eventually failed, leading to wealthy ruling elites with power similar to Western billionaires. Later, when these communist nations were privatized, either by reform or fall, the powerful accumulated massive amounts of wealth by buying up state resources and industries. The Soviet Union fell in 1991, China began privatization in 1997, Vietnam introduced free-market reforms in the 1980s, and most recently, in 2018, Cuba allowed private property. The intrinsic human tendencies towards greed and power, as shown by the fall of Marxist-Leninist communism within eighty years of its inception, highlight the potential ineffectiveness of such wealth bans in capitalist societies.

All in all, historical examples and practical considerations suggest that the social and financial power of billionaires would not be significantly altered if they were banned. As history has shown, those with immense wealth have consistently found other methods to project their influence and retain their power.

Attempts to enforce such a ban would face numerous challenges. The ability of billionaires to utilize legal loopholes, offshore accounts, and tax avoidance strategies would make an effective ban difficult. Moreover, the influence of billionaires in politics, through campaign funding and lobbying, would make enforcement ineffectual. The experiences of countries that implemented wealth redistribution policy demonstrates that a ban on private wealth does not mean the eradication of inequality. Instead, it often led to the emergence of a privileged class within the ruling elite, with power replacing the need for wealth.

The implications of a failure to ban billionaires are huge. It thrusts into the light the stark fact that billionaires play a huge role in the lives of average people, and the fact that they will continue to accumulate power and influence. It also displays that the current government systems are ineffectual in controlling or addressing billionaires. Massive efforts need to be taken gradually over time to curb their power. History has repeatedly shown the ability of the wealthy to adapt and maintain their influence, as power begets wealth, and wealth begets power.

Footnotes

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