

What Would Happen If We Banned Billionaires?

Hongyang Zhang¹

¹ The Second High School Attached to Beijing Normal University, China

Correspondence: Hongyang Zhang, The Second High School Attached to Beijing Normal University, China.

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Abstract

This essay delves into the debate surrounding the proposition of banning billionaires due to the rising economic disparities evident in the global landscape. With the ultra-rich amassing unprecedented wealth, especially during the pandemic, the question arises: Would banning billionaires serve as an antidote to escalating wealth inequality? Drawing on varied ideological perspectives, this paper scrutinizes the reasons underpinning the desire to ban billionaires and the rationale for their continued existence. By analyzing the potential outcomes of such a ban, both positive and negative, the discourse highlights the intricacies of the issue. The essay concludes by presenting alternatives to an outright ban, suggesting a multifaceted approach to achieving a more equitable economic environment.

Keywords: billionaires, wealth inequality, economic disparity, capitalism, socialism, wealth redistribution, economic stability, technological development, progressive taxation, wealth tax, Nordic welfare model, income equality, marginal propensity to consume, financial crisis, economic ideologies

1. Introduction

Before we envision what would happen if all billionaires were banned, we should consider the prerequisite motivation for banning billionaires. According to the Board of Governors of the Federal Reserve System's report, the total wealth of the 1% reached a record \$45.9 trillion at the end of the fourth quarter of 2022, said the Federal Reserve's latest report on household wealth. During the pandemic, their fortunes increased by over \$12 trillion, or more than a third.¹ This extreme imbalance distribution of wealth led to severe economic problems like economic instability, financial crisis, debt, and inflation. According to the World Bank, extreme poverty increased in

2020 for the first time in 25 years. At the same time, extreme wealth has risen dramatically since the pandemic began.² Banning all billionaires seems to be an effective solution to these problems. However, is this true?

This paper will approach from an analytical perspective, first discussing why we are facing the question of what if we banned billionaires. And then, how can we ban them, and both the positive and negative impacts of banning billionaires on the market and society will be illustrated, accompanying cases to consolidate assumptions further. Finally, alternatives to banning billionaires will be provided and discussed.

2. Why Do We Want to Ban Billionaires?

When we debate whether we should ban billionaires, we are debating between two different ideologies: capitalism and socialism. From the capitalist point of view, billionaires accumulate their wealth by utilizing their capabilities and hence should not be intervened. Nevertheless, socialists will practice the idea of egalitarianism, redistribute all wealth in an equal way, and thus counterbalance income equality. However, in the real world, there is neither a total capitalist country nor a total socialist country. In the vibrant global market, “capitalist” countries like the United States and the United Kingdom enforce regulations for their markets, and “socialist” countries like China and North Korea, though run under centrally controlled and state-planned systems, are also penetrated by private market activity. Indeed, Billionaires are commonly accused of ruining the economy. According to studies, rising corporate profits were responsible for 54 percent, 59 percent, and 60 percent of inflation in the US, the UK, and Australia, respectively.³ The pandemic accentuated how wealth inequality detriment people’s well-being. The already incredible wealth of Amazon founder and CEO Jeff Bezos increased by \$25 billion during the pandemic after briefly declining during the early stages of the outbreak and the stock market’s initial free fall.⁴ This contrasts the average American struggling to make ends meet while buying toilet paper and other necessities, homeschooling their children, caring for sick family members, or just getting by. Also, billionaires command the primary human resources and capital, leading to near-monopolies and thus preventing the money from activating in the market and the healthy competition among cooperation. Based on these illustrations, billionaires seem to be heinous, and it is advisable to ban them to increase the level of happiness of the majority.

3. Why Can’t We Ban Billionaires?

Reasonable though the previous discussions are, there are still reasons that billionaires can exist, and the amount of whom are even increasing. They can exist in both ideology camps because they could positively influence the overall economic entity. From a macro perspective, billionaires will invigorate the stock market, the overall financial system, international trade, and foreign investment when the economy goes well. They are also the main contributors to the job. For example, as of December 31, 2022, Tesla’s

full-time count for our and their subsidiaries’ employees worldwide was 127,855, a 29,000 year-over-year increase. At the end of 2021, Tesla said it had 99,290 employees, up from 70,757 in 2020.⁵ Despite the fact that billionaires are the main GDP contributors, they also boost regional economic development by paying the tax. Most governments have implemented the “wealth tax.” That is, soaking the billionaires to increase the government incomes. Banning billionaires would not only collapse the existing ideologies but also disrupt the world’s working economic system.

4. What Would Happen If We Banned Billionaires?

In a civilized society, banning all billionaires is neither killing and imprisoning them nor expropriating all of their money. So how could we achieve our goal? Maybe first, a committee of Banning Billionaires should be funded. They will make clear regulations about confiscating billionaires’ assets and reallocating them to different government departments. It would be necessary to develop practical valuation methods for various forms of wealth to establish an effective enforcement mechanism to ensure compliance with the confiscation and to do research to transfer wealth from those who have more to those who have less, with the goal of reducing economic inequality. Policymakers should think seriously about the impact of these allocations on social cohesion and political representation. Also, how to prevent the emergence of new billionaires should be considered. Enforcing these actions will eliminate people who own over one billion. Alternatively, they will control their assets’ value to ensure they are under the one billion line. Abolishing all billionaires will have significant consequences for economic entities and politics.

4.1 Positive Results

The concentration of wealth in the hands of a few billionaires can have adverse economic effects on society. Wealth redistribution and improved public services could be one good result of banning billionaires. A study published by Oxfam in 2019 found that the world’s 26 wealthiest people own as much wealth as the poorest 50% of the global population.⁶ This concentration of wealth can lead to increased inequality, decreased social mobility, and increased political power for the wealthy. Banning the billionaires could lead to wealth

redistribution and improved public services.

Banning billionaires could also result in greater economic stability and less volatility. The Marginal Propensity to Consume (MPC) Theory suggests that individuals' marginal propensity to consume (MPC) decreases as they accumulate more wealth. In other words, the more money someone has, the less likely they are to spend it all. This can lead to a situation where a significant portion of the economy's wealth is concentrated in the hands of a few individuals who are not using it to stimulate economic activity. By banning billionaires and redistributing their wealth, the economy could potentially see a boost in consumer spending and economic activity, leading to more excellent stability and less volatility.

Nordic countries, such as Sweden, Norway, and Denmark, are often held up as examples of societies with high levels of social equality. Though they didn't implement extreme methods like banning all billionaires, they have implemented progressive taxation schemes and wealth redistribution policies that ensure that all members of society share the benefits of economic growth. For example, in Sweden, the top marginal tax rate is over 50%, and the country has a comprehensive social welfare system that provides universal healthcare, free education, and generous parental leave.⁷ The wealth distribution structure in Nordic countries greatly influenced welfare programs and provided a stable economic system. People are provided with generous subsidies and living guarantees.⁸ The economic market in Nordic countries was growing steadily and performed resiliently, facing the pandemic influence. The even distribution of wealth in Nordic countries enables people to make purchases and other economic activities and keep the functions of their regional markets. Banning billionaires, thus, could further enhance these positive influences economically and socially.

4.2 Negative Results

However, we can't deny the contribution billionaires made and the substantial opposite impacts banning them will bring. The first negative result will be stagnation in technological development. A majority of billionaires accumulate their money through investing in the technical sectors and inventing new technologies. Confiscation of their properties might lead to an exhaustion of

funding and thus prevent the technology development, which requires enormous financial and labor input. For example, Tesla was founded in 2003 with a \$6.5 million investment from Musk and other investors such as JB Straubel and Ian Wright. Over the years, Musk has invested additional money into the company and helped secure funding from outside investors.⁹ When technological progress stagnates, it can lead to a lack of innovation and a slowdown in creating new industries and job opportunities. This can result in higher unemployment rates as workers cannot find employment in stagnant sectors. Furthermore, in a world where other countries continue to invest in and develop new technologies, a lack of progress on the part of one country can put it at a competitive disadvantage. This can lead to a decline in that country's overall economic growth and job creation.

Market panic is also a possible negative effect. While antitrust enforcement is designed to promote competition in the marketplace and prevent monopolistic behavior, which can lead to market inefficiencies and harm consumers, it can cause market disruptions in the short term, such as when a dominant player is broken up into smaller companies or forced to change its business practices, the long-term benefits of increased competition typically outweigh these short-term costs. In a downturn, the effect on markets could be fatal.

5. Alternatives of Banning All Billionaires

Rather than banning billionaires outright, it may be more effective to implement policies that promote greater income equality. This could include a progressive tax system that taxes the wealthy at a higher rate and measures to encourage greater access to education and job opportunities, including an annual tax on net worth, a tax on the transfer of wealth (such as an inheritance tax), or a tax on the appreciation of assets.

Ultimately, the issue of income inequality is multifaceted and requires a nuanced and thoughtful approach. While banning billionaires may seem like a simple solution, it is unlikely to address the root causes of inequality. Instead, we must focus on creating a more just and equitable society that provides opportunities for all individuals to achieve success and prosperity.

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