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## **Rich People**

### INTRODUCTION

I have not known many rich people so I can't write much from experience. I write from knowing a few business people, from what I have read, and what I have seen from the outside.

No matter how I say what I say, lefties will see it as a kiss-up defense of rich people while righties will see it as anti-business anti-capitalist impractical stupidity. A strong feeling for or against rich people is not productive for the country as a whole. We need to see each socio-economic class objectively if we are to make good policy and act as good citizens. We don't do that.

Briefly, we should stop treating rich people much differently than anybody else, either by giving them extra money and power in the hope that doing so will save us, or by taking their money and power in the hope that will save us. Rich people have capital, and they can use their capital to help everybody if we structure the political and economic framework correctly. Mostly we do so by relying on the free market with minimal interference for or against the rich or anybody. We need to take away privileges that we have already given rich people without going too far and taking away their fairly earned wealth and without making them feel like targets. We need to tax them fairly, much as we tax everybody else, and then otherwise leave them alone.

Everybody has wrong ideas of rich people. Even rich people have wrong ideas of themselves and their relation to the country. See the movies: "Ninotchka"; "Shooter" with Mark Wahlberg; any movie where a corporation or government agency tries to take over; any movie from the 1930s where the heroine marries her rich business prince; and either version of "Sabrina".

As far as the welfare of the country goes, rich people are best seen not as a tight group with particular morals or personalities but as stewards of wealth. Rich people hold much of the wealth that America uses (invests) to continually renew its business and to make new business. If we want rich people to work for America, we have to adjust the rules for using (investing) wealth so rich people use their wealth to help America. If rich people using their wealth do not help America, then we have made the rules wrongly and we have to change the rules. We should not make or change rules willy-nilly but instead we should trust to common sense, experience, and our knowledge of real capitalism, American culture, American institutions, and the times. We should use the mildest rules possible to get the job done. ONLY if mild rules cannot control how rich people use their wealth, so as to make sure they help America overall, and it is clear that their use of wealth damages America, should we use strong rules.

We should make rules so that, on average, investments help much more than they hurt, and there is no great waste; some waste is expected and tolerable. We should make rules so, on average, investments help poor, working class, and other middle class people, over the long term.

If rich people don't invest their wealth mostly in service to America, and sometimes use their wealth to hurt America, then we should not blame rich people, we should blame ourselves. We are not doing our job as citizens.

We should not "pick" on the rich, should not adjust the rules to make them our servants, and should not adjust the rules to force them too hard to serve the welfare of America. We should do none of this even when we can clearly see the welfare of America and how rich people might serve it if we pushed them in a particular direction. We should let them do what they do and we should be happy when that serves America more than it harms America. We should protect nature always.

We should be careful like this not out of respect for the rich because they are rich and powerful but for three other reasons. I do not say which reason is most important.

First, we should respect the rights of private property and citizenship. We don't want anybody to force us to use our resources only to serve them, and we don't want anybody to take our wealth without really good reasons and without fair due process. We have rights in our property and rich people have rights in their property. We have rights to free speech, and, to keep our rights, we have to extend them to everybody. We respect rights almost regardless of other considerations such as practical gain or loss. That is what it means to have and respect a right.

Second, rights in property, as with any right, are a net worth (value) in themselves. To respect any right is to gain even if we can't quantify the gain and even if it is hard to compare the gain of respecting a right with other gains and losses. To respect rights in property has intrinsic value even when rights in property might lead to moderate harm in other ways. People have a right to free speech, and the right to free speech has a worth (value) in itself that we must respect even when free speech leads to modest harm in other ways.

Third, regardless of (1) rights and of the (2) worth of rights, private use of property does more good than harm in most cases, more good than harm overall. We are not good judges of the harm it does when it does do some harm, so we should not intervene lightly. We do help America by allowing ALL people to use property as they wish, including rich people – as long as using property does not cause serious harm "down the line" (externalities) such as to nature. We can restrict rights in property somewhat. Again, the same is true of free speech. Free speech does more good than harm regardless of its status as a right. We can restrict it somewhat. We are better off tolerating some harm to gain the overall benefit.

Not guiding the rich in particular directions includes not taking too much of their wealth AND not giving them incentives, preferences, and more wealth. Not guiding the rich includes no tax breaks, subsidies, loopholes, allowances, write-offs, or other forms of "corporate welfare". This part the rich will not like.

But the two parts go together. If we shouldn't hurt them much then we shouldn't help them either – no more than we help any other socio-economic class, and likely less.

I can imagine cases in which it would be necessary to infringe on the rights of private property to stop a serious harm or to protect other rights, again, as with free speech. For example, anti-pollution laws are justified as are laws to protect archeological sites. I do not go into these cases here. I don't think the economic problems of America now are one such case. We are getting toward such a bad situation but we are not there yet and we should not jump the gun. In the name of saving the economy, we should not override rights in private property for the foreseeable future any more than we do now. Instead, just treat rich people fairly, and see what happens.

That (1) some people are much richer than average and (2) these people consistently have higher than average incomes, raises three issues that can affect how we treat rich people. What we do depends on the condition of America and the economy in general.

First, big disparities in wealth cause problems both for the economy and for politics. It is hard to have a well-running capitalist economy and a well-running democracy with large disparities in wealth. It is hard even if the middle class remains large too. It is impossible if the middle class is small. It is hard to have a healthy economy and polity, and big disparities in wealth, if there are many poor people even if the middle class is not small. It is impossible if there are many poor people and the middle class is not large. I don't explain why running a democracy or healthy capitalist economy is hard under these conditions. I don't think America is quite in these situations yet but it is moving close to them. For more on wealth concentration, see my other essays. Again, the best initial response is to treat the rich fairly, including taking away privileges, and see what happens. We don't need deliberately to shift wealth and income yet, and I hope we never need to do that.

Second, ideally when people have disposable wealth, they re-insert it back into the fair legal economy through savings and investment, and they re-insert nearly ALL of it. They don't burn it and they don't do bad things with it that are outside the normal legal economy such as fund heroin marketing. This is not the case often enough. One bad thing people do with disposable wealth is invest it in politics, and so distort and corrupt politics. People buy politicians and political offices. People buy legal preferences including corporate welfare. Economists say that people "seek rent" in the state or through the state. All this is bad.

This issue is tricky. On the one hand, people have a right to use their wealth for politics. On the other, (A) too much wealth invested in politics, and too much wealth invested in politics by too few people, is bad even if wealth is invested in apparently legal above-board ways. (B) When wealth is invested in shady bad ways, especially to buy politicians and favors, then it is very bad. Once disposable wealth reaches a certain threshold, it is nearly impossible not to invest it in bad political ways. As huge wealth continues to accumulate into a small group, bad investment in politics is inevitable in both ways. We are well beyond the point where big wealth alone is a danger to politics even if it is invested legally in politics (A), and we are far beyond the point where big wealth is used badly and immorally in politics (B).

What to do is a topic for another essay. The first action is to take away the privileges that lead to big wealth, and then re-assess.

Third, similar to what happens in politics but regardless of what happens in politics, big pools of wealth in a few hands distort investment and so distort the economy. People and financial institutions (banks) have a lot of money that they have to use. So they invest in strip malls, bad housing, bad apartments, bad restaurants, bad import business, bad entertainment, etc. For a funny “take” on all this, see either version of the movie “The Producers”. As a result, the economy is not as big as it could be, and there are not as many good jobs as there should be. Amazingly, often enough, the bad investment returns a profit and so to more accumulation. The bad investment and greater accumulation lead rich people and banks to invest in politics, both in legal bad ways and in plain bad ways. Rich people and banks bend laws so bad investment can be treated as tax write-offs, loopholes, etc. That is one reason that bad investment pays off. The bad laws encourage bad investment and even more accumulation in the hands of misguided investors. The bad laws discourage good investment if only because good investment does not pay as well as bad investment. The bad investment reinforces the need for preferential laws. The poor return on good investment reinforces the need for preferential laws. And so on. Pools of wealth cause distortion even without the political ties but the political ties help. This distortion of the economy through pools of wealth and bad investment is the worst effect that wealth can have under normal conditions, worse than corrupting politics. To fully explain would require a big diversion, so I merely repeat that it is bad. Again, though, the first action is to take away privileges and see what happens.

Owning capital differs from owning stuff such as a TV, house, car, and clothes. Capital differs from mere stuff in that capital is expected to make a return, a profit. Profit leads to accumulation of wealth among the people who own capital. When capital (wealth) is not fairly evenly distributed among the people, as it never is anywhere, the return on capital leads to ever greater unequal accumulation. It leads to some people being rich and some not. A capitalist economy leads naturally to accumulation of income and wealth, and to the problems of rich people investing in politics and distorting the economy. The real question is how bad (or good) all this is, and the answer depends to a large extent on how severe the inequality in wealth distribution becomes. I do not go directly into these issues here: capital, profit, income distribution, wealth distribution, and how good or bad it all is for America now. I only discuss the fact that we have some rich people and some not-rich people, and what that might mean for how we look at rules for investment. For comments on the other issues, please see my other essays.

If you understand all these points well, then the rest of the essay is simply “frosting”.

#### A CURIOUS ATTITUDE

Before going on to rules for using wealth, I describe an important effect that strongly shapes attitudes, and I describe a curious attitude that non-rich people have toward rich people. The effect is about thresholds, poles, and middles, and it has wider application than economics, but I restrict discussion to

economics. To borrow the words of Billie Holiday (distorted in my memory), who took them from the Bible: “Them that has a lot, get more; and them that has little, lose even that little”.

Below a certain threshold of wealth, people are in constant danger of losing all they have, and, in fact, do lose all they have often enough. People who drive bad cars suffer frequent breakdowns, and then they lose even the crappy car they have. They pawn their car title, and then lose the car. Then they lose their crappy job, and it all “goes to hell”. People who can’t afford to buy a house have to rent, and then they can never save enough money to buy a house, even though, over the course of their lives, they pay more in rent than they needed to buy a house. One small bout of unemployment wipes out the savings that took a family of three workers ten years to build.

In contrast, people with enough money never lose what they have already and they even accumulate more. They can suffer through almost any storm or setback. If an investment in a mall craps out, they have investments in housing projects or mining. If the interest rate drops below 2%, then can wait until it rises back up again to 7%. When one part of a family is this rich, they help other people in the family to become this rich as well. Then, if they are in trouble, the other members of the family help them in return. It works with friends and cronies too. Clusters of wealthy people help each other to get rich and stay rich. Non-rich people see famous rich families in this way. Non-rich people (and some rich people) call this situation “making it”.

In between is the middle class. They hope never to fall, and will take severe steps to make sure they and their children never fall. How precarious or secure the middle class are is one of the key issues in a well-running democracy and capitalist economy. The rich do not appreciate how much they need a secure middle class to stay secure themselves. See other essays.

Now I describe a curious attitude that non-rich people have toward rich people. I make a point of this attitude because it took me a long time to see it and then another long time to believe it. This attitude affects the laws that we make about how people can use wealth, usually in bad ways. We all know that some non-rich people envy and hate rich people. This negative attitude is the flip side of the emotion that I describe here. The emotion that I describe is not simply positive. Many non-rich people envy and admire rich people, and want to give them privileges. They want rich people not to pay taxes. They like loopholes, subsidies, write-offs, and tax breaks that don’t help them much but do help rich people. They want to make sure rich people pay no inheritance tax. They want to make sure accumulated wealth is not attacked and that it never shrinks below the threshold of making it. I think the two attitudes depend on each other but I don’t go into that topic.

Why would a non-rich person want to give rich people privileges, and want to make sure laws protect the wealth of rich people? Non-rich people usually don’t think like an economist, so they don’t base their attitude on a theory of how moderate wealth concentration does more good than harm. Instead, they think they might someday pass the threshold where they stay rich despite all problems and they will continue to accumulate wealth and get richer despite all problems. They dream of “making it”. If they don’t dream of making it themselves, they are sure their children will make it. Once they, or their

children, make it, then all the kin will help each other, and everybody will make it. This dream is quite unrealistic for nearly all middle class people and poor people but they dream this way anyhow.

If your children will make it almost for sure, and so everybody will be better off, then you don't want to do anything now that might hurt their chances of making it in the future, and so might hurt the chances of the whole family. You don't want to do anything to hurt their chances of making it even if that thing might help you now a little bit. You don't want to do anything that might erode their security in the future even if that thing helps you a little bit now. You want to do things that might help them make it in the near future and keep it in the long future. So, because your children, or you, will (might) someday be a member of the rich class, you help the rich class, even if it hurts you now.

You support laws to help rich people protect their wealth and even to accumulate more wealth. You believe silly ideas about how, when the state gives more to the already-rich through corporate welfare, the state action helps the economy more than if the rich pay their fair share and more than letting you keep your tax money. You believe the "Bush tax cuts". You accept laws that tax the poor and middle class more than the rich. You accept paying more for schools, police, fire protection, parks, etc. You tolerate sales tax. You fight in the military and don't mind when rich kids don't fight. You admire them for getting out of it. You expect rich people to buy politicians, and expect politicians to have relations with rich people and banks. You put up with environmental problems and with crappy investments such as strip malls and tacky apartments. When political leaders come out of the rich class, especially from families such as the Bush and Kennedy families, you take that as validation of the good character that the rich really have and of your hopes to become rich. You will still have a good character when you get rich. You adopt stories of rising out of the middle class into wealth and power as the blueprint for your family's future. You envy, admire, help, and even idolize rich people.

When crusaders against too much accumulated wealth lose their fight, they don't understand that the crusade failed not so much due to the power of the rich but due to this attitude. Middle class people see attacks on the rich as indirect attacks on their own children.

Rich people know of this attitude and its effects. They promote it when they can. They use it to get the laws, politicians, sympathy, publicity, and support that they need.

I find this attitude amazing but that does not mean the attitude is not real and does not have effects. I see no way to end the attitude and its effects. Again, the only suggestion I have is to treat rich people like everybody else and to take away their legal privileges.

## RULES FOR GUIDING WEALTH

The details for rules about how rich people can use their wealth are complex and finicky even without any conniving, and the situation gets more complicated because rich people actively connive in politics to make the outcome better for themselves. So do other groups.

One big problem in making rules about how any people use their wealth is that we have to trust what is said by rich people, politicians, and economists because they have the most experience - and this topic takes a lot of experience - yet they have not been very accurate since the early 1970s, and certainly let down the country after 1981. Despite their bad record, we still have to trust them because the topic is so complex. I am quick to learn but I don't know enough to make detailed suggestions about tax laws, etc. It would take a year of hard study focused on this topic alone to learn enough to make accurate good suggestions. So I have to trust rich people, etc. somewhat; ouch.

We do have some general principles that we can use as guidelines, and that is what the rest of this essay offers.

-We should not aim for perfection. We should not aim for these goals or make these mistakes:

=Every single dollar invested by rich people serves America more than it hurts America. Rich people can never make mistakes or can never be selfish enough to hurt America.

=Every dollar invested by rich people serves America to the maximum efficiency that dollar could have served America. (If a dollar invested in iron ore mines could have helped America more than a dollar invested in coal mines, but rich people invested more in coal than in iron, then we should not blame rich people as long as, overall, coal investment did help America.)

=To eradicate every investment that hurts America.

=To eradicate every investment that hurts working people or middle class people in America.

=Every dollar earned in America has to be invested in America.

=The vast majority of wealth earned in America has to be invested in America.

-For reasons covered in another essay, American leaders have adopted a wrong policy: (1) the more wealth available to rich people, (2) the more wealth will be available for investment, (3) the more will be invested in beneficial projects, (4) the more the country will grow (develop), (5) the richer the country will become, (6) the more everybody will be better off even if (7) not everybody gains equally, and (8) unemployment and bad jobs will go away all by themselves; so, (9) in this way, we cure all social and economic problems automatically (10) without needing to think much or to develop good policy. We should make sure (11) rich people have as much wealth as we possibly can give them; we should (12) tax them as lightly as possible; and should (13) give them all the subsidies and loopholes that we possibly can; thus (14) we will cure all our problems automatically without having to think. ALL these points are incorrect. Acting on the basis of these points does more harm than good. We should stop ALL this now.

-Instead, we are better off allowing the economy to naturally find the level of wealth and distribution of wealth that it needs for investment in replacement and for new enterprise. On the whole, this natural seeking is best helped by not interfering. Policies that say they promote growth are interference and do more harm than good. Policies that say they promote growth by giving money to rich people to invest are interference and do more harm than good. Let rich people get-and-keep the money that they fairly earn, and use that for investment.

-Like almost everybody else, rich people are mostly rational. They use wealth efficiently to get what they want and-or need. We have to see what they need and how to make what they need coincide with what is good for America.

-Like almost everybody else, and contrary to what not-rich people think, rich people worry a lot about security. They worry about bad investments, political trouble, nature, economic changes, etc. They want to make enough in returns on invested capital, over a reasonable time, so they always live on their earnings and never have to use their capital. They want to live on their profits, and never have to “cut into the business” or “cut into savings”. This is the same goal of all families and all business firms.

-Rich people worry about political programs that will hit them so hard as to undermine their ability to live on their returns. They worry about being “soaked” or “fleeced”. Not-rich people don’t know that this fear is real and realistic. True, confiscation has not happened much in America, but it has happened in America and it has happened severely elsewhere. Rich people want a cushion on their earnings so they don’t have to fear that taxes, inheritance laws, etc. will take away so much of their earnings that rich people have to eat into their capital.

-Bad events on the market, and not-smart investing, also lead to losses. Rich people know this and are more willing to accept this risk than high taxes. Ideally, rich people would like taxes so low that it eases the effects of market events and not-smart investing, that is, they want the rest of the people to make an extra cushion for them. When they push for taxes low enough so they aren’t soaked, they continue the push for taxes so low that they are also covered against bad market events and not-smart investing. This they can’t have. The state, people in general, can’t cover them against the risks of their way of life. The state might have to protect the poor somewhat but not the rich.

-Likely more than any other causes, the desire for security and the fear of being “soaked” lead rich people to invest wealth into the political process – into corrupting politics. The desire for security and comparative prosperity lead all the other classes to do the same when they have the wealth and votes to do the same.

-We don’t owe rich people any more security than we owe any other class. We do owe them about as much security as we owe any other class. I do not here go into how much security we owe anybody. We should avoid policies that unfairly undercut the security of rich people, if we can. By not threatening rich people, we avoid making them afraid and so interfering in politics too much. The details of this are hard but the general idea is simple. Don’t treat rich people too badly, treat them fairly, and they will leave politics alone enough and will focus on making wealth. By treating them fairly, we lead them to make wealth in ways that help America.

-Rich people cannot expect to keep everything they make. They do have to pay some taxes. How much is the issue. If they see taxes as confiscatory (“soaking” them), then the country has bad policies or rich



people have developed bad attitudes. We have to find a level of taxes at which the rich are not abused and threatened but at which they pay a fair share like everybody else.

-Some rich people resent paying any taxes, even though they know they need the state to protect them personally and to protect business, and they know that they benefit from infrastructure such as roads. They rationalize their bad attitude by saying they already do the country a service by using their wealth for investment, they don't owe the country any more than that such as for taxes, and they deserve to live well on their investment. I don't know how to separate bad rich people from the greater number of wiser rich people, and how to re-educate bad rich people. I am open to suggestions.

-Rich people should pay about as much of their incomes in taxes as any other class. I want a mildly "graduated" ("progressive") income tax where low income people pay a lower rate while rich people pay a higher rate. I want the rates to differ not much, so low income people pay about 25% in total while rich people pay about 35% in total, in all income taxes, federal, state, and local, including "FICA" (Social Security, Medicare, etc.) Middle class people now pay at least 40% in total with sales tax. But, if a mildly graduated income tax causes too much trouble, we can shift to a "flat tax" where all people pay the same rate of 30%.

-We need to abolish ALL sales taxes, at ALL levels of government.

-We should derive all the revenue needed to run the state on income taxes and land taxes alone.

-The biggest problem with assessing income taxes on rich people comes with something called "capital gains". I can't go into this issue here. Just to say something: capital gains should be taxed once at a rate of about 20%. This simple rule alone will go a long way toward making rich people easier and keep them out of politics. See other essays on what "capital gains" is and why I think this way about taxing them.

-Rich people should never be taxed at a rate that economists call "more than 50% on marginal income". The tax laws should never be set so that more than 50% of another earned dollar is taxed away. The tax rate on additional income should never exceed 50%. In fact, likely it should never exceed 40% or 35%.

-We should end ALL subsidies, loopholes, and incentives now.

-Tax corporate profit at a rate of about 15% to 20%, but not higher than 20%. Practically speaking, we cannot get large business firms to pay more than 20%, and trying to make them pay more creates the bad atmosphere that makes rich people uneasy, invest badly, and invest in bad politics. It widens the gap between big business firms and small business firms. It is better to be realistic, get what we can get consistently, and create a good climate.

-Suppose rich people pay taxes according to the above rules. Suppose a smart reliable economist proves the following conditions. What should we do in each case?

=The amount that rich people invest is more than the amount that the economy needs to grow at the optimum rate in the right kinds of business. Rich people are investing too much, and investing in the wrong places. They are wasting wealth. We could take more from them in taxes without diminishing the economy, and, in fact, could make the economy healthier by taxing them more. (This might be the case in actual fact, although it goes against the false ideology about wealth and growth described above.) Should we take more from them in taxes? I think we should not. If taxes are fair, we should leave it at that. If we take more from rich people in taxes in this case, then we “set them up” and we start a chain reaction of bad effects. We set a precedent for screwy interference based on bad ideas, a precedent that can be used not only against the rich but against anybody. Only if their over-investment was a serious detriment (and it is hardly ever that), and we could clearly show so, and we could make a simple policy that would clearly be better than we have now, should we correct the problem by raising taxes on rich people.

Although economists, politicians, and pundits imagine their own ideal balance of savings, investment, and growth toward which they could lead America if we gave them power, we should not be tempted. Almost always the ideals are practically impossible, and trying to get there from here causes more harm than good. America is close enough already to the best practically reachable balance of savings, investment, growth, without meddling, so we should be happy with what we have, and leave it at that. Meddling might do more good than harm in the imagination of politicians and rich people but, in reality, meddling does more harm than good.

=The amount of total investment is not enough to put the economy at peak performance. In jargon, the marginal return on investment is still high but there is no additional wealth available for investment anyway. This situation is not likely in any reasonably healthy capitalist country but it is the situation that politicians and economists say we are in chronically anyhow. This is the scenario that the bad policy that I described above is supposed to cure. In this scenario, if we allowed rich people to have more money by taxing them less, they would invest more, and the economy would be better off. In this case, should we tax them less? Again, I say no, unless the situation is serious and we have used up all other rational means. Because of the complicated tax laws, it is hard for a lay person like me to tell if taxing them too little because of fantasies about investment and growth is what we do now; but I think it is. If this is what we do now, we should stop.

-These comments do not imply that we should do away with the FED (Federal Reserve Board), SEC, FDA, and other regulatory bodies. On the whole, they do a good job, I like them, we should keep them, and we should make them even stronger. These comments mean that we should not screw around with the tax code, and should not develop policies that shift investment in particular directions such as by giving subsidies.

-These comments do not imply that the state should never have programs such as the national highway system, national parks, Army Corps of Engineers, railway system, dams, etc. It should do such projects as warranted. That is another essay. But the state should not adopt policies that shift wealth to one

group as a way to distort the economy supposedly to make it better, and the state should be careful about projects that inadvertently shift a lot of wealth.

-We can tax rich people the right amount by taxing them fairly, along the same lines that we tax people of all classes, as described above.

-Under these conditions, rich people and upper middle class people will pay more than they do now but they will feel better about it and everybody else will feel better about taxes too. Rich people won't pay that much more – I don't want to frighten them into fighting good ideas.

-Conspicuous consumption is buying something and showing it off primarily because it is expensive and not primarily because you appreciate it. Ostentatious displays of wealth and conspicuous consumption are disgusting but they are not a good reason to dislike rich people. They make for interesting stories in bad shows on TV but they have little effect on investment and the economy. Horse racing is a lot of fun three times a year but it has little effect on the economy and we don't have to worry about it. In fact, "old money" doesn't engage in ostentation and conspicuous consumption often. "New money" soon learns better. I have seen more ostentation among poor and middle class people with cars, jewelry, and home theaters than I have seen among wealthy people. Their bad spending collectively screws up the economy far more than the self-indulgence of rich people. In the 1990s, I got stern lectures by wannabe upper middle class young people about which name brands a person should buy – I was too poor for any such brands, and thus an object for pity and scorn. I live now where not-well-off working class people drive half-restored rusty muscle cars from the 1970s – a silly posture that few rich people would abide. Rich people don't get rich to parade about in top hats and furs, or drive a Rolls Royce. Rich people can live well but their living well is not a reason to dislike them.

-The biggest reasons to dislike rich people are that they invest poorly and they meddle in politics, and those are something that a good citizen can work to correct.

-Contrary to popular belief, rich people do care about America, and care about their country whatever their country might be. Rich Thai people care about Thailand, and rich Brazilians care about Brazil. They want their country to do well. They will forego some power and wealth so their country does better, not just so they do better indirectly, but so the country itself does better regardless of how they do. More rich people in America are like Warren Buffett than we might believe. They are about as patriotic as the other classes.

The problem with rich people giving to their country is the same as with other classes. They will give if they firmly believe: the country is going in the right direction, their contribution makes a difference in the right direction, and their contribution makes a big enough difference to justify the loss. If they think the country is not headed in the right direction, they take care of themselves first and don't worry about the country. Increasingly in America, even the middle class believes the country is not headed the right way, and so Americans put themselves ahead of the country. If the middle class acts like this, they can't

blame the rich for acting like this. The key is to find the right direction and get the country headed that way. This task is hard. My essays are my contribution toward the task.

Again as with other classes, some rich people are selfish and look out only for themselves without any regard for their country. I doubt if a greater ratio of rich people are like this than in any other class. I don't know what to do about people like this in any class.

-The same comments apply to the attitude of rich people toward other classes. The middle class and the upper middle class believe that all unemployed people and people with bad jobs are bad off due to bad character. I think rich people are so strident. Rich people know enough of the world to see that often people are brought down by circumstances as well as character. I have heard more caring among rich people than among wannabe upper middle class people.

Rich people also know how hard it is to change circumstances, to change the way of the world. They know well the idea "don't throw good money after bad". If you can't truly help poor people as a class and can't change what makes people poor in large numbers, if you can't change the system, then don't waste money there. This is a sad situation, but it is true, like diabetes. Spend your money where it will do the most good. Spend it on development, science, art, schools, etc. Give to charities that have a clear record of doing real good. Sometimes when you see a particular hard case that can be helped, or a case that cries out to heaven, do something on a case-by-case basis. But don't think to change a socio-economic structure that has been around for 5000 years.

If we want anybody to care more about the plight of poor people, unemployed people, people with bad jobs, and children who don't learn anything in school, then we have to develop realistic policy about such issues. We don't have good policies now. When we have realistic effective policy, then all classes will be willing to help all other classes.

Of all the people I have seen personally, committed Christians who donate time, money, and effort, care the most and do the most real good for the disadvantaged of society. Some of these actual workers are rich themselves but most are working class and other middle class.

-Similar comments apply to helping nature. I have met business people who want to make money and don't care if they plunder nature. They make up excuses such as that nature is infinitely capable of recovering, the Earth has a huge capacity to absorb pollution, the seas are inexhaustible, forests re-grow quickly, etc. They don't believe this crap but spout it anyway. They hope that, whatever hell they make here now, a few rich people still will live well in small enclaves, and their descendants will be there. You can hear as much of this as you want on right wing TV.

On the other hand, I have met business people who do know better and really do want to live decently on Earth. They see that their children have to live in whatever situation they make here now, and so they want to make a good situation. They really want to go along with responsible policy about nature but are afraid that all policy is irresponsible and only aims to "soak" them.

The obvious answer is to figure out what we need to do to save as much nature as we can, to live with nature, and to create an Earth that our descendants can live in for a million years, and then do that. We need to find out how people and nature can live together. We need to develop a comprehensive policy and stick to it at all levels of government over a long period of time. We need consistency. Yet we don't have such a policy, couldn't implement it if we had it, and constant population growth makes such a policy very difficult.

If it is not possible to live well with nature, then the rational response is to get yours now while you still can, and hope your descendants live in an enclave. This response is sad, but it is not wealth alone that leads people to think like that and live like that. Upper middle class people have destroyed the deserts and mountains of the Western United States by trying to make a false paradise for themselves alone there. Ultimately there is no enclave, and we destroy ourselves trying to make one.

-I have argued that the role of rich people is to invest wisely, and our role is to shape the rules so they invest wisely. We can count on rich people investing in their best interests, and it is up to us to make sure their best interests coincide with the best interests of the country. We have to shape the theater so that rational action leads to the general welfare. Mostly we do this best by trusting the free market and by taxing fairly. This is an old problem in economics. It still has no general solution other than hope in the free market.

In the modern world of international business, investing rationally in your own interests often means investing in countries other than your own. Some wealth that is generated in America inevitably will be invested outside America. Some wealth that is generated outside America will be invested in America. An old-fashioned but ever-popular style of thought called "Mercantilism" says we need to make sure the net effect is always positive. Of all the wealth generated in America or with American capital overseas, we have to make sure that much more (ideally nearly all) is invested in America than outside America.

This point of view has merit but it can't be too short sighted, and we have to be careful about how we carry it out. I can't go into details. We can't insist on a close reckoning every quarter, and we should not act harshly until we see open bleeding.

After World War Two, for at least ten years, America invested far more into Europe, Japan, and Korea than we ever got out. But, in the long run, the investment paid off, and those areas grew into good trading partners so that now we have mutual benefit. The same will not happen all over the world but it can happen in some places, and we should not be afraid to invest there even if, in the short run, they make more off our investments than we do. China, India, the Middle East (God willing), and some parts of Latin America all seem promising. Africa does not. This is what we have investment experts for. This is what we have politicians for too. If politicians see a net drain long term, they have to bring it to the attention of the people, and we have to do something about it. Politicians have to resist the pressure of rich people in this issue.

During the time that rich people are using American capital to develop other parts of the world, America can feel increased unemployment, bad employment, poverty, racism, and other issues. It all might work out better in the long run but people don't pay rent and buy groceries with the greater prosperity of thirty years in the future. Again, we need adept politicians who can deal with this issue without creating dependants of the state.

-Suppose you could invest 100 million dollars in a chain of restaurants that might go bankrupt or you could invest 100 million dollars in politicians and get a concession to supply food to government office buildings for the next 30 years with guaranteed modest success. Which would you do? That is exactly what Benjamin Franklin did in several enterprises including printing; it is how he made his fortune, and how he kept it. When people have the wealth to buy security from the state, through buying politicians, they do that. When working people and other middle class people can cooperate to do this, they do. They do it through votes, and they get such security blankets as tuition support at college, good police, good fire fighters, reduction in property taxes, a subsidy for the interest payments on mortgages, etc. Economists call investing in the state to get a guaranteed income for a long time "rent seeking" because it is like investing in an office building that will pay rent for a long time.

The best way to stop rent seeking is to make it less attractive compared to alternatives. If rich people are not afraid, they won't think they need "politicians in their pockets" as much. If rich people aren't afraid, investing in the chain of restaurants might be more fun and make more money than investing in politicians.

-Collectively, the subsidies, tax breaks, loopholes, concessions, safe contracts, research grants, etc. that business firms get from the state are called "corporate welfare". The state spends about as much on corporate welfare as on welfare and other "entitlement" programs for private persons and families, more if we think of much of the "defense" budget as corporate welfare. This should stop. Stopping it will make rich people more insecure in the short run but better off and securer in the long run, the same argument that rich people use when selling programs to other people or when telling other people to give up programs. Corporate welfare distorts and shrinks the economy as much as regular welfare and other entitlement programs.

There is a reason for corporate welfare other than shifting wealth to business firms and to people who are already rich. Corporate welfare can stabilize markets. I don't explain how. Stable markets attract more investment as long as the stability does not also decrease returns much. I cover the topic of stable markets in other essays. Even if corporate welfare does stabilize markets, and does lead to some more investment, it is still not worthwhile. Corporate welfare distorts the economy even if it slightly expands some markets. It sets a bad example. To have a natural economy that is slightly smaller is better than to have a distorted economy and to give everybody the idea that the state is their patron.

-Since at least President Reagan:

(1) Of the new wealth in America, people who already have wealth have garnered a much greater share (ratio) of the new wealth than other classes. In common terms, the rich get richer.

(2) At the same time, despite America adding much overall wealth, the incomes of poor people, working people, and other middle class people stagnated or went down in terms of what their incomes really can buy. This result makes people angry. They blame rich people for stealing wealth, primarily through buying politicians who help them steal.

(3) There is some truth to this accusation but that does not worry me as much as the implication of a growing imbalance of wealth for how a healthy American capitalist economy works. A healthy naturally balanced economy is more important to everybody's wealth and well-being in the long run.

(4) While the rich got richer and the middle class and poor stagnated, America also changed from king of the world economy to only one big player among other big players. High American incomes had been based on its dominant role, so it is natural that American incomes were not as high in America's new situation. It is not clear how much of income stagnation is due to the new place of America in the world economy and to other factors that allow rich people to take almost all the added wealth and keep other classes from taking any of the added wealth, such as corporate welfare. Here, I assume America's new role in the world economy is more influential than corporate welfare or other advantages to the rich.

(5) Also during this time, some costs went up faster than inflation: housing, health care, dental care, education, transportation, and insurance. The rise in these costs makes American incomes stagnate or go backwards. If we could control these costs, then American incomes might actually have risen. The fact that these costs have gone up is not directly the fault of rich people, and not much indirectly their fault either. I cover this problem in other essays. These rising costs work with (4) reduced incomes in the world economy to produce much of the stagnation and "going backwards". In this essay, I assume this factor of rising costs is a much bigger contributor to stagnant incomes than corporate welfare or other advantages to the rich.

It might be that a greater ratio of wealth to already-rich people is alright, even if other incomes have stagnated. It might be better that a greater ratio of wealth to already-rich people would be alright if other people shared in greater wealth somewhat. It might be that a greater ratio of wealth to already-rich people is a disaster even if other classes share considerably in the added wealth. We don't know any of this. I don't know of any simple good study that tells us. We need to think for ourselves.

At any given time, the economy needs so much wealth to reproduce itself and for new investments. This is what I called the "natural" level of investment. In theory, the economy produces the amount that is needed for natural investment automatically (naturally) through processes that I don't need to go into here. By and large, reality corresponds to theory, and we can trust the natural process of seeking the natural level (amount needed) for investment.

Part of the amount needed for investment comes from the savings of not-rich people and part of it comes from the wealth (including savings) of rich people. I include business firms among rich people. Assume the amount from the savings of not-rich people stays about the same over time and it grows about as much as the economy grows over time. Assume the ratio of wealth needed for reproduction and investment in new stuff is about the same over time. Call both investment for reproduction and investment in new stuff "investment". Suppose the economy needs 10% to be kept for investment. Suppose the savings for not-rich people account for half of that, or 5% of the 10%, while the wealth of rich people accounts for the other half, or 5% of the 10%. This all works out.

Now suppose, over time, a greater ratio of wealth in the economy goes into the hands of rich people. This result does not necessarily imply that not-rich people get poorer. They might stay the same or even get a bit richer. They just don't get as rich as fast as rich people. This result does not imply that the poor get poorer or the poor get poorer in relation to the middle class. It does not imply that the middle class get richer or poorer in relation to the poor. It only says that not-rich people get less of the added accumulating wealth of the economy as a whole.

Now what happens to the amount (ratio) needed for investment? There is more wealth available for investment because more of the increased wealth has gone to the wealthy. Now, rich people could give 7/10 (seven tenths) of the 10% needed for investment, or give 7% of the 10%. If not-rich people save the same as always, then the economy now has 120% (12/10 or twelve tenths) of what it needs. The economy is out of balance.

I don't describe what might happen in these cases. See other essays.

Rich people getting a greater share (ratio) of wealth as the economy gets richer can have bad effects on the economy even if rich-people-getting-a-greater-share does not make other classes poorer. If it does make other classes poorer, then this result can seriously hurt the economy.

(It is possible to make scenarios where the effects cancel out, but I don't go into that here.)

Likely, something like this has been happening in America, just at the time when we have been lowering the taxes on rich people and giving them even more wealth to invest.

Politicians should be alert to these imbalances and address them, but have not. Ideally, if our politicians won't do it, then the average citizen should be alert to these imbalances, make politicians see the issue, and make politicians do something about it. This has not happened either. The best way to address these imbalances might be to let the financial markets take care of it automatically over a reasonable period of time. Not so much state regulations as state-given privileges (tax shelters etc.) have distorted the financial markets so that they have not handled this shifting balance well.

To repeat: It is easy to get upset when we see rich people get even richer out-of-proportion. We think we are getting cheated out of wealth that should be ours. Such anger is more valid when real income



(what people can actually buy with their income) has not been going up or has even gone down – as it has in America. All the additional wealth is going to rich people, and that makes them seem responsible for the fact that we have not been getting richer as individuals and families even though they have been getting richer. They might be somewhat responsible for the fact that average Americans have not been getting richer, but likely not too much, and their responsibility is not the biggest issue anyway.

The biggest issue is that accumulating wealth in the hands of rich people has distorted and shrunk the economy by distorting the natural balance of wealth needed for investment. The economy is “out of whack”. The economy has not been able to adjust to the new wealth by finding a new natural balance, likely because bad policy (such as corporate welfare) has prevented normal adjustment. This is what we need to look at. Sadly, I know of no simple analysis of this situation that would help the average citizen to assess the situation.

We need to understand three distinct yet related issues (as noted above):

(1) Why, as the country gets richer, a greater ratio of the wealth has gone to rich people.

(2) Why, as the country gets richer, the incomes of people below the upper middle class stagnated.

(3) How different ratios of wealth holdings have distorted the natural balance of the economy, especially in savings and investment.

I wish rich people would commission a good analysis. (I am not fishing. Others are better qualified to carry it out.) Rich people stand to lose in the long run from an economy that is out of whack. They stand to gain in the long run if we see how the economy finds the natural balance of investment, and see the natural roles of savings from non-rich people and investment from rich people. They stand to gain a lot in the long run if they are the ones that clearly identify unfairness and suggest what to do on the basis of facts.

Rather than simply blame rich people for the fact that a greater share of new wealth has gone to them, try to see how it is happening, what it means, and what we might realistically do, if anything.

If we find that rich people have unfairly garnered a much greater share of new wealth, and their action is seriously distorting the economy and is making us all worse off, we can get angry. If we find that rich people have fairly garnered a greater share of new wealth (it is possible) then we can react in other ways. If we find that rich people getting a bigger share in a fair way eventually will do us all good, we have to be patient. If we find that rich people getting a bigger share, even if they get it fairly, is hurting the economy, then we have to seriously think about what to do. We might think about how they could get a bigger share so easily in a fair way.

-In Marxist ideology, working people around the world have more in common with each other than they do with people in other classes in their own country, and so working people around the world should-

and-will unite to overthrow class society. This didn't happen with working people. In a curious irony, it might be happening with rich people, but not to overthrow class society. Rich people, business people, have more in common with other rich people around the world than with people of other classes in their own country. We are now seeing the formation of an international rich-and-business elite that knows how to cooperate across boundaries to shape events within nations and between nations, and to create a better climate for business (profits). I have no idea how strong the community is, and how much influence it exerts. I don't think we can believe movies and TV shows about a great international conspiracy.

These links are inevitable as the world becomes one. Eventually, working people and other middle class people around the world might unite as well. World movements for the environment, against human trafficking, against animal trafficking, against drugs, and for some "fair wages", are all largely world middle class movements, and all this is a very good thing.

The difference is that the unity likely will proceed in order of richest-and-more-powerful first, so rich people will find close ties first, middle class people next, and working people last. The first to unite likely will have the greatest power, so rich people will be gain more international power on top of the power they already have at home.

I don't know how dangerous this situation is and I don't know what to do about it, if anything.

Working people assume it is all bad. They see international trade agreements such as NAFTA and the recent Pacific agreement as representing the interests of rich people against the interest of all working people. Whatever helps rich people must necessarily hurt working people, and so working people have to oppose trade agreements such as NAFTA. Even then, working people can't unite. Generally, I like trade agreements and think they help working people in the long run if not the short run.

Global cooperation among business people can lead to greater peace when business people realize that war hurts business more than it helps. (This outcome is not always true but here is not the place to assess when it is true or not true.) International business is the spearhead of human rights because oppression only helps business for a while in the short run; eventually some human rights are good for business, and business leaders finally do learn that lesson. When I get a better idea of what this all means, I will write more.