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Research Paper

The Social Impact of Wealth and Enterprise

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Abstract
This essay critically examines whether and how successful businesspeople benefit others through their economic activities, particularly in the processes of wealth generation and expenditure. The analysis contends that entrepreneurial success yields substantial societal benefits when businesspeople create employment opportunities, thereby enhancing social stability and reducing crime rates—a claim supported by both economic theory and empirical data. Furthermore, their spending stimulates aggregate demand and contributes to GDP growth, which is broadly associated with improved living standards. Nevertheless, the essay also addresses the systemic risks and social costs associated with high wealth concentration. Through the case study of the Evergrande Group's collapse, it illustrates how excessive corporate leverage and concentrated financial exposure can imperil broader economic systems. Additionally, the essay explores how wealth inequality translates into political inequality through mechanisms such as media ownership and lobbying, potentially undermining democratic processes and exacerbating class stratification. While acknowledging these dangers, the paper argues that such issues do not negate the positive contributions of business elites but rather necessitate targeted regulatory interventions. These include measures to enhance financial oversight, diversify systemic risk, support public broadcasting, and increase transparency in lobbying activities. The essay concludes by affirming that successful businesspeople do indeed benefit society when making and spending money, but insists that these benefits must be safeguarded through thoughtful institutional regulation to mitigate associated harms and preserve the public interest.

When we talk about successful business people, we may think of Elon Musk, who owns an influential company and an unfathomable amount of fortune and power. How does Elon Musk benefit humanity by sending a Tesla Roadster into Space, or does he? This essay argues that successful business people benefit others when making and spending money. When successful business people make money by managing their companies, they create a considerable amount of jobs, which help stabilize the society by decreasing crime rate. Successful business people also benefit others when spending their money by facilitating economic growth and thus bringing up the GDP because they own and control a significant amount of wealth. However, the size of their wealth may cause some problems such as the lack of diversification of risks, which may lead to severe consequences for others. Additionally, the worsening wealth inequality is also problematic because privately-owned media and lobbying give the rich excessive political power, which may lead to class stratification. Ultimately, successful business people still benefit others when making and spending money, but we certainly need stronger regulations to address the problems.

Key Words: *Economic Growth, Wealth Inequality, Employment, Corporate Power, Risk Diversification, Lobbying, Aggregate Demand, Social Stability*

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When successful business people make money through their enterprises, they benefit others by creating job opportunities, which in turn decreases the crime rate and makes society more stable overall. According to Microsoft News, "Global spending on information technology will create 7.1 million new jobs and 100,000 new businesses over the next four years" (Microsoft, 2007). The news also indicates that Microsoft-related businesses are responsible for 14.7 million jobs from an IT industry total of 35.2 million people. Based on Gary Becker's rational model of criminal activity (Becker, 1968, p. 176), the stable income provided by employment can reduce one's likelihood to commit crimes because it decreases the expected return and increases the expected risk of crime. This hypothesis is supported by Barry Reilly and Robert Witt (1996), who constructed a plot graph that shows the growth rate of the three common property crimes (Robbery, Theft, and Burglary) and the growth rate in male unemployment from 1981 to 1991 in 42 police force areas.

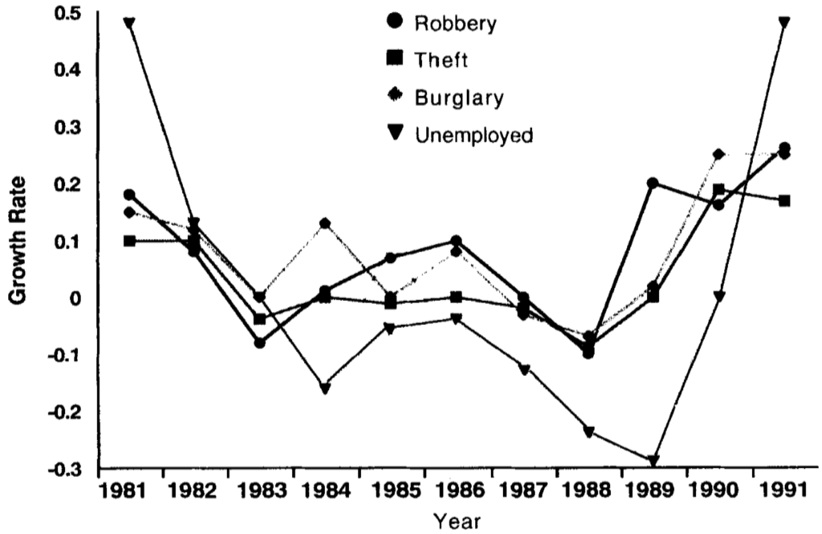

Fig. 1 Illustration of The Growth Rate of Unemployment and Three Common Property Crimes In Relation to Time (Reilly & Witt, 1996)

In the figure above, the growth rate of unemployment varies in accordance with the growth rate of the three common property crimes, which shows that unemployment is highly correlated with the three property crimes. As the salary is a fundamental part of income for people to sustain themselves, when they lose their jobs, it will cause financial strain as they are unable to maintain their original life qualities or pay their rent.Hence, when successful business people make money through their enterprises, they benefit other people by creating more employment, which provides more people with a stable income and eventually leads to a more stabilized society.

However, some might disagree that even though a strong correlation exists between crime rate and employment, the causal direction between them remains ambiguous. For example, an unstable lifestyle may be a confounding factor that causes both unemployment and crimes, thus the correlation does not entail causation between unemployment and crimes.

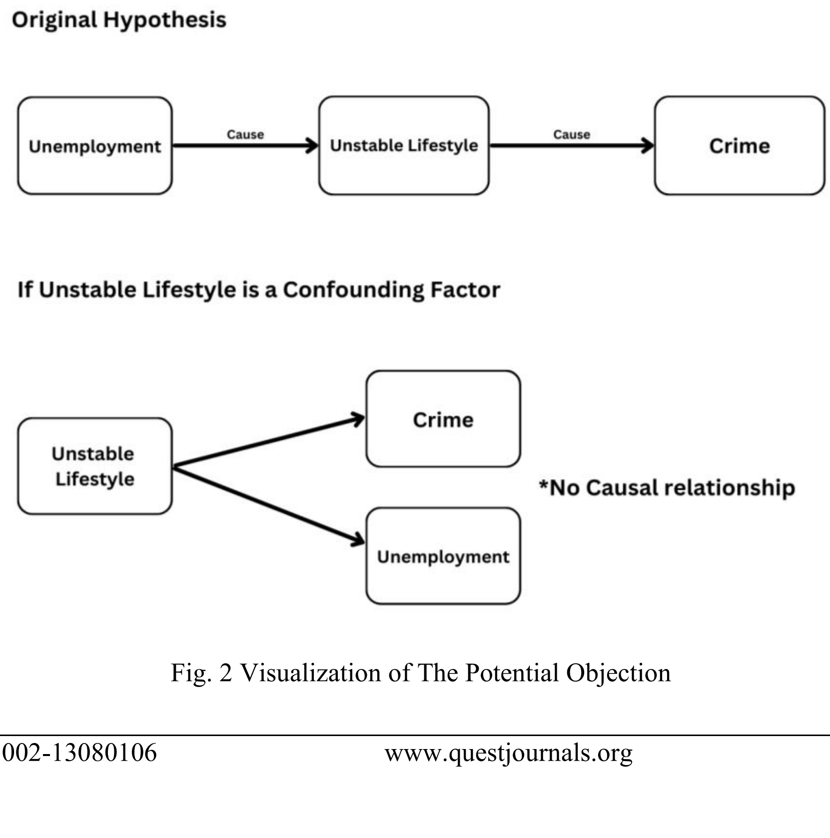

Fig. 2 Visualization of The Potential Objection

While this hypothesis is a possibility, many scholars have argued that there is a positive link between employment and crime rate. For example, Reilly and Witt state that a "well-determined positive unemployment effect is obtained"(1995, p. 148). Additionally, in the study "Unemployment and Crime: Is There a Connection?"conducted by Karin Edmark, through her experiment on the range of 21 Swedish countries during 1988 - 1999, she concluded that "the unemployment coefficient is positive and significant for aggregate property crime, burglary, car theft, bike theft, and fraud" (Edmark, 2005, 362). Although some disputes still exist regarding this relationship,[1] the existence of a positive link between unemployment is supported by broad and comprehensive experiments and data. Therefore, when business people make money through managing and expanding their company, the employment that they provide is conducive to social stability.

Secondly, successful business people benefit others when they are spending their money since spending itself facilitates the flow in the economic system and thus drives economic growth. According to World Inequality Report 2022, "[t]he share of the bottom 50% of the world in total global wealth is 2% by their estimates, while the share of the top 10% is 76%" (Chancel, 2022, p. 3). Since successful business people own most of the wealth, their decision to either save or spend their money influences the aggregate demand of an economy profoundly. If they spend their money, whether it be through investment or consumption, instead of saving it, the spending will increase aggregate demand. According to the AD-AS Model, an essential model that has been widely accepted in the Keynesian economy, when the aggregate demand increases, which is represented by a shift to the right, the price and more importantly the real GDP will increase until the market reaches its productive capacity. According to the International Monetary Fund, even though GDP has its limitations as an indicator for life quality, people are "generally better off" (Callen, n.d., para. 2) when the GDP is growing. Therefore, when successful business people spend their money and facilitate the economy, they benefit others.

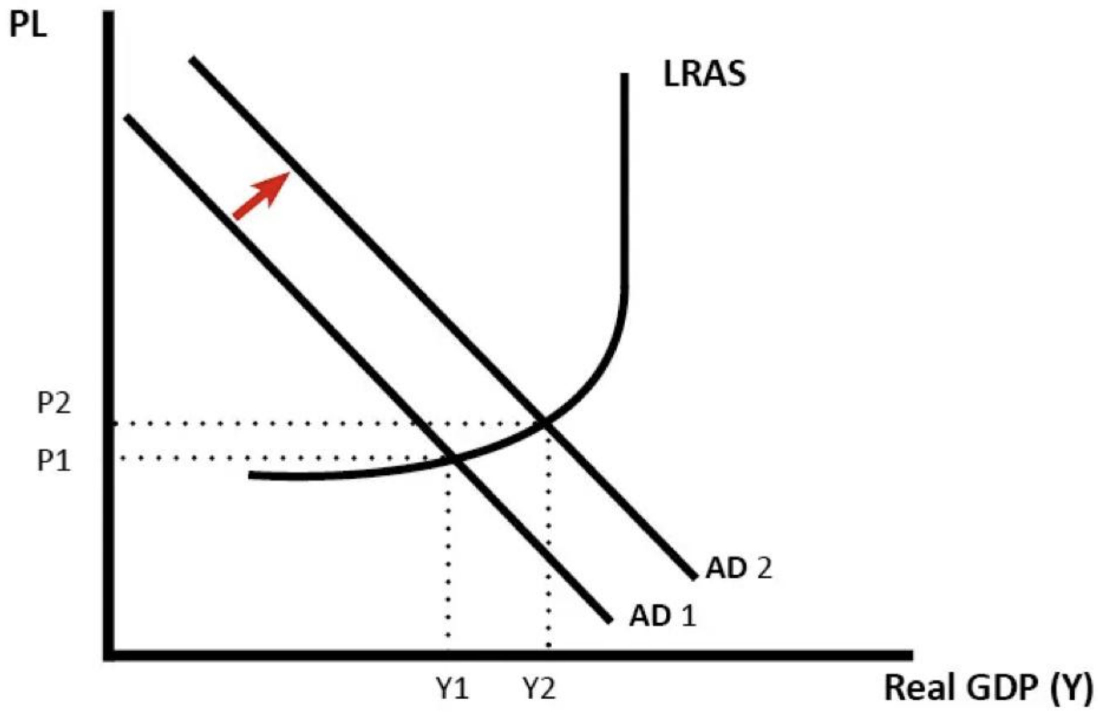

Fig. 3 AD-AS Model that Illustrates The Positive Relationship between Aggregate Demand and Real GDP (Pettinger, 2019)

However, when excessive resources and power are controlled by a single person or company, the risks will be overly concentrated, which may lead to a disastrous outcome for everyone involved. The failure of the China Evergrande Group, a giant real-estate company that owned more than 1300 projects across many cities in China, is a prime example. According to the 2022 Evergrande Annual Report, its total liabilities reached 197,453 million yuan, which made an approximately 200% liability to asset ratio (China Evergrande group, 2022, p. 154). Borrowing such a great amount of money is a considerable risk. When the Chinese government announced the three Red Line policy in order to cool down the overheated China Real Estate market by capping liability to asset ratio at 70% (EAC International Consulting, 2022) and thus maintaining a more sustainable market. Evergrande immediately struggled with a cash flow crisis as it was no longer able to loan money from any banks, which led to its downfall.

Many customers and speculators were impacted dramatically by the collapse of Evergrande. According to National Public Radio and BBC.com, it is uncertain now whether the 1.4 million Evergrande units all over China, which have all been paid for, would ever be built (Feng, 2021). The impact is disastrous for the people who have paid the deposit and are now facing housing insecurity problems. Besides, companies who had business with Evergrande such as the construction and design firms could no longer receive the payment from Evergrande, which led most of them to bankruptcy (BBC.com, 2024).

Indeed, the over-concentration of resources could bring severe consequences to the market, especially for those who have an immense amount of capital and power like Evergrande. Therefore, regulations must be imposed to diversify the risk. For example, banks could diversify their loan portfolio by loaning money to companies from different sectors. Also, by strengthening capital requirements and reinforcing the stress test, banks could be more assured when there is loss due to the failure of a loaned company or other unpredictable events that needed a lot of money to absorb the impact (Kelleher, 2023). With these regulations, the spending of the successful people can continue to benefit others by facilitating the economy without incurring such a great risk to everyone involved.

Some people might say that even though investments could create more value and facilitate the economic growth of the market, most of the benefits go to the rich. However, it doesn't mean that the poor are not benefiting from an overall better market. Take the change in the poverty level over time as an example, from 1820 to 2018, the share of the world population in extreme poverty dropped from 75.65 % to 10.1 % (Joe Hasell et al., 2022). It tells us that the economy is not a zero-sum game. Overall, most people got out of extreme poverty over time because more values have been created in the economic market.

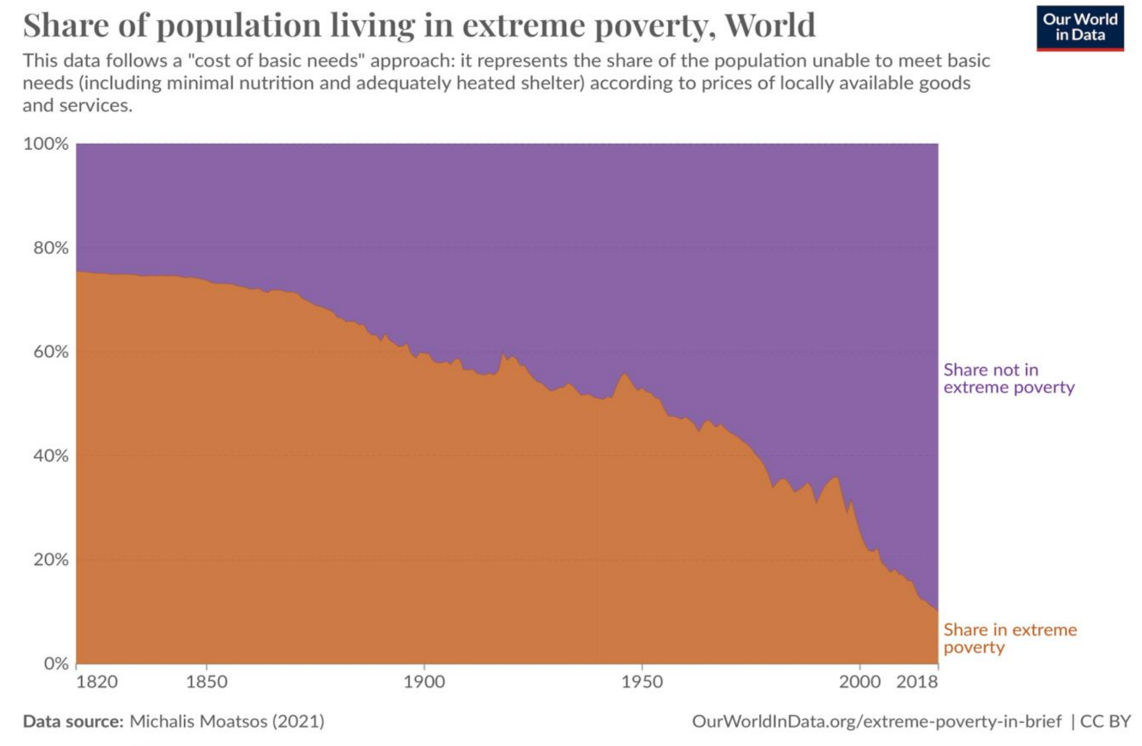

Fig. 2: Share of World Population in Extreme Poverty from 1820 - 2018 (Hasell et al., 2022)

Nevertheless, people might object that though more people are getting out of poverty, the relative wealth gap is still getting bigger as the World Inequality Report indicates; the concentration of wealth in a small group of people can lead to class stratification because the rich are able to control politics by lobbying with privately owned media. According to *The Guardian*, many billionaires have bought media, like Elon Musk who bought Twitter (Currently renamed X) and Jeff Bezos who bought The Washington Post (Neate, 2022). When those billionaires have controlled the spread of different messages, it's not only related to contents that people will see, but it indicates that they can control politics to a certain degree. In Chapter 23 of the book *TheMedia Monopoly* written by Ben Bagdikian, an American journalist who survived genocide, he asserts that "TO GIVE

CITIZENS a choice in ideas and information is to give them a choice in politics: if a nation has narrowly controlled information, it will soon have narrowly controlled politics”(Bagdikian, 2000, p. 223). It’s the same with those billionaires controlling the media; when they can control the information, they can control the impact of certain information to a certain policy proposal by deciding what kind of messages gets published or censored. For example, in the paper “Sugary drinks taxation: industry’s lobbying strategies, practices and arguments in the Brazilian Legislature” by Aline Brandão Mariath and Ana Paula Bortoletto Martins, they examined a lobbying strategy called “Information and Messaging” that two prominent trade associations used to influence the taxation policy on sugary drinks. Mechanisms like “cherry picking data that favour the industry” and “[demonising] the ‘nanny state’'' undoubtedly become much more convenient when privately-owned media can easily disseminate information to people. One of the problems of lobbying is that the policies are enacted for priorities of the rich’s benefit instead of the public’s benefit. A study conducted by David Kimball et al. (2012) has shown that “the lobbying agenda does not reflect the policy priorities of the public”(p. 5). More importantly, policies concerning taxation are vital due to their role of redistributing wealth and mitigating class stratification (Leroy, 2008). Therefore, lobbying can lead to more severe class stratification by interfering with taxation policies.

Although the problem of inequality is indeed very severe and urgent, it does not automatically discount all the benefits that successful business people bring to others when they make and spend money previously illustrated in this paper. Instead, it is more productive to discuss ways to address the existent issues of inequality. Firstly, governments should support public broadcasting media, which are the most fair source of information. Those media like PBS owned by the US and BBC owned by the UK would ensure that the information will be accurate and impartial (Chalk, 2019). Those features are essential especially during a period when everyone can spread misleading information intentionally on the internet. Secondly, in order to curb the power that the rich have over policies through lobbying, stronger supervision is needed. The most important way to monitor lobbying is encouraging public surveillance. By raising the transparency of lobbying activities, the public can hold the lobbyists and policy makers accountable. The establishment of “legislative footprint” can help track the external influences in the course of legislation; for instance, the Austrian regulation states that “all statements received in the course of public consultation on draft bills are published on the website of the Austrian Parliament” (Council of Europe, 2017, p. 23). Through the supervision of the media and lobbying, problems of inequalities could be relieved.

In conclusion, this paper argues that successful business people benefit others when making and spending money because they create employment with their enterprises and facilitate economic growth when spending their money. However, the sheer size of their wealth poses some problems such as overly-concentrated risks and worsening inequality. We ought to address the issues with regulations to minimize the negative impacts without reducing positive effects that successful business people bring to society.

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Endnotes
1. For a paper arguing against causal relationship between employment and crime rate, see "A Time-Sensitive Analysis of the Work-Crime Relationship for Young Men" by Angela Wang Lee (2019).