



**The Social Impact of Successful Business People: How Wealth Creation and Spending
Benefit Society**
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Abstract

Over the past few decades, the distribution of wealth has become increasingly uneven (Swanson, 2015). In the US, the share of overall wealth held by the top 1% increased from around 25% in 1980 to more than 40% today (Bagchi & Svejnar, 2015). Given the severity of wealth inequality, successful business leaders are often criticized for earning and spending tremendous amounts of money while less affluent people struggle to make ends meet. Therefore, it is important to know whether business leaders benefit society under this configuration. On the whole, successful business leaders benefit society both by making and spending their money.

However, this conclusion is only valid if business leaders make and spend their money legally. Monopolistic practices, tax evasion, and illicit competition harm others' interests. Likewise, funding political campaigns, buying insider information, and bribery are also beyond our scope of discussion, since all of these illegal behaviors are conducted at the expense of others' interests.

Making Their Money

To begin, our life would not be as enjoyable without the innovations developed by successful business people while making money. Their innovations have improved our quality of life to a large extent. For example, Bill Gates started Microsoft in 1975; today, it became the most commonly used office software worldwide because it dramatically increased working efficiency (Vailshery, 2024). "Excel changed the way business works, making it easy to do calculations and put charts on their data," said Derek Burney, Chief Executive Officer at Corel Corp (Smith, 2023). However, this invention did not appear overnight. In fact, Excel was invented on the basis of its precursor Multiplan, and the process involved substantial R & D efforts spanning more than five years (Sharer, 2023).

Some people argue that it is the technological experts, not the business leaders, whose work leads to innovation and better quality of life (Goodall, 2020). This construct is partially correct because some experts who give birth to new inventions are business leaders as well (Stackpole, 2023). However, experts alone do not craft that life-changing product. Economic incentives and business scale effects drive innovation and commercialization, bringing technology from the lab to life.

To explain, let's first think about the motivation for people to innovate. According to Schumpeter's innovation theory, innovation can increase productivity and promote society's development (Sweezy, 1943). However, people make efforts to innovate not merely because they want to contribute to society but because they want to gain personal interest. According to Adam Smith, the founder of liberal economics, "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their interest" (Smith, 1776). This reveals the fundamental motive of business behavior: pursuing one's own interest. However, this selfishness effectively fosters technological innovation because it generates a strong motivation for businesses to invest in research and widely applicable technologies.

Formulated later, Incentive Theory as proposed by Bolles also suggests that people's behaviors are driven by the promise of rewards (Bandhu et al., 2024). Therefore, business people do their business for their own interests, but this process promotes innovations as a positive side effect.

Business decisions have a large impact on technological advancement. Nobel Prize-winning economist Paul Romer (1989) showcases the rate at which new technological advances are based on two factors: the stock of existing knowledge and labor inputs as research efforts. Both factors rely on deliberate investment in research and development, which can lead to innovations that are integral to keeping the economy in a state of sustainable development. Robert Solow, another Nobel Prize-winning economist whose work connects to Romer's, states that sustained economic growth is impossible without technical change (The Royal Swedish Academy Of Science, 2018). According to the Cobb-Douglas production function, because of the decreasing marginal return of capital, capital formation will contribute less and less to economic growth. Instead, it is only through technological innovations that the economy can grow sustainably. Therefore, innovations can generate greater output and form sustainable growth and this process cannot be achieved without business people's presumably selfish motivation to make more money.

Apart from a profit-driven motivation, business people foster innovation and thus higher quality of life through economies of scale. A scale effect refers to a specific pattern: as a business reaches a scale, the marginal cost of increasing production will decrease (Jones, 1999). This phenomenon enables innovative yet lab-based technologies, which are usually expensive, to become convenient and affordable for everyday consumers. For example, consider the spread of drones in China. Initially, drones were costly niche technologies primarily for specialized uses such as military surveillance. However, as Chinese companies like DJI scaled up production, they were able to reduce costs significantly through economies of scale (Mao et al., 2020). The reduced production cost leads to lower prices, which make drones accessible to common consumers, fostering the further adoption of innovation.

Therefore, the process of a successful businessman making money in a legal and competitive market is not a zero-sum game but a process that generates widespread benefits through increased productivity. Imagine a smaller scenario: a village initially has 11 fishermen who can catch 110 fish per day, and each of them receives 10. One day, one of them invented a better strategy that enabled the village to have 220 fish per day. In return for his innovation, he receives an extra 20% of fish on top of the original 10 fishes (32 fishes) and the rest receive 18.8 fishes (Mje, 2020). By this logic, business people increase the efficiency of production through innovation, and the outcomes can be shared, with business people only in fact claiming a portion of the benefits of innovation.

Another opposing viewpoint is that technological innovations brought out by business people will inevitably drive income inequality (Law et al., 2020). As new technology appears, people who acquire those technologies will create more value and earn more compared to those who do not acquire these technologies. MIT professor Daron shows that 50% to 70% of the growth in US wage inequality between 1980 and 2016 was caused by automation (Rotman,

2022). Therefore, new innovations will inevitably widen income inequality as society develops. However, this reality does not negate the fact that business people are benefiting others when making their money. Back in the time when people lived in small communities, there was little inequality because everyone worked and gained relatively the same. When farming techniques advanced, social classes appeared, and aristocracies embraced farming because of the improved efficiency. As technology advances more, there is a growing group of people who constitute the new “technological upper class,” and the inequality between this segment and the majority will be even greater. However, the overall quality of a modern ordinary American’s life is better than that of the King in the Middle Ages, or a person of any previous generation, thanks to technological advancement. For example, the overall life expectancy is 43.6 for women and 48.7 for men in the Middle Ages, whereas this number today for world population is 76 and 70, respectively, and it is even higher in developed countries like the US (Says et al., 2021 & Worldometer, 2023). This condition improves along with improvement in quality of life for the elderly, as modern medical care and the internet make the elderly both physically strong and socially connected (Amaker et al., 2020). Similarly, people have access to rapid telecommunications and are able to travel between continents in a few hours, all inconceivable in a more leveled but more ancient society.

Inversely, income inequality may even be an asset as a motivation for innovation (Wang et al., 2022). Aligned with what Adam Smith states, people work hard to innovate for more money and a better life. Therefore, if there is no income inequality, in which everyone gets the same wage no matter what their contribution is, then no one would have an economic motivation for hard work and creativity in business. As the Greek philosopher Aristotle says, “The worst form of inequality is to try to make unequal things equal,” suggesting that absolute equality will bring unfavorable economic and social consequences (Miller, 1998). In a relatively equal society, everyone would not earn much. Historically, both China and the Soviet Union adopted a planned economy model before 1979, guaranteeing a high level of income equality (Alexeev & Gaddy, 1993). The Soviet Union collapsed, while China grew from a GDP of \$149.4 billion in 1979 to \$17.96 trillion in 2023 (China Bureau of Statistics, 2024; World Bank, 2024). The reason for such a huge disparity is that China adopted market economy reforms in 1979 to provide an economic incentive for innovation (Kowalewski, 1981). Although this reform drove income inequality to an unprecedented level, with a Gini index of 0.467 in 2022 (Statista, 2024), it created a market environment that favored business and innovations, boosting China to be the second largest economy in the world.

Besides, when business leaders attempt to make their money, their demand for employees creates an abundance of job opportunities. Startups create an average of 3 million new jobs annually (Kane, 2010). The rate of creating new jobs is even higher when investing in R&D. In average, one million dollars invested in R&D will lead to five new job opportunities (World Economic Forum, 2024). Therefore, business leaders also benefit others by employing them and making them enjoy the wealth that they generate collectively.

Spending Their Money

When successful business leaders spend their money, they stimulate the economy by boosting consumption and investment, and the effect is amplified by the multiplier. Because successful business people have large amounts of wealth, they can afford to consume luxury brands and products that would otherwise not possess market demand. For example, business passengers represent 75 percent of an airline's profits because they are more likely to buy last-minute tickets and upgrade to higher classes (Stevenson, 2020). When business leaders spend their money on luxury cabins, they also benefit economy class passengers by generating more revenue for the airline and therefore pulling economy class prices down. This effect is amplified by the expenditure multiplier since this initial injection of money sets off a chain reaction in the economy. Therefore, the initial consumption may contribute to the development of multiple industries.

In addition, investment decisions—especially those with high risks—made by successful business people are also vital for promoting innovation and economic activity. The inherent risk an investor takes is usually positively associated with the plausible rewards (Kouwenberg & Ziemba, 2013). For example, successful surgeon and business leader Dr. Soon-Shiong invested \$110 million in NantHealth, a pioneering startup aiming to treat cancer using immunotherapy (Nanalyze, 2021). Medicine development is a high-risk investment that requires not only the accumulation of money but also a long return period, so it would be impossible without a vast amount of investment.

Moreover, successful business people also benefit society by giving their money to charity causes. For example, The Giving Pledge, launched by Bill Gates and Warren Buffett, consisted of over 200 business leaders who have pledged to donate at least half of their wealth (McCollim & Schmitz, 2012). Through dispersing their money, business leaders benefit others by providing them with healthcare, education, and a better quality of life.

Conclusion

Successful business leaders benefit others both when they make and spend their money. When making their money, their pursuit of personal gains drives innovation, leading to economic growth, job creation, and better quality of life. Business leaders' selfish behaviors can lead to the collective benefit of society as a whole (Mandeville, 2018). When they are spending their money, they satisfy their own needs while contributing to the economy through consumption, investment, and devotion to charity causes.

Although this process will inevitably lead to an increase in income inequality, this inequality is worthwhile since it makes everyone better off in this non-zero-sum game and provides motivation for further innovation (Nemala, 2023). Therefore, it is crucial to discern the overall economic benefits of legitimate business leaders from those smaller numbers of illegal business pursuits.

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