



Infomail

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We Should Cheer, Not Scorn Them

"Money is a terrible master but an excellent servant"

American Showman P.T. Barnum (1810-1891)

Last week, Forbes magazine published its list of the 400 wealthiest Americans. The list has been published since 1981, and the list should be an inspiration to people, especially those who have inherited money and used it to build their wealth into larger fortunes.

However, existing politicians and would be politicians act as though those same rich Americans from 1981 are hogging up all the money in society. While the percentage of income growth is going to the top 10%, they are not the same rich Americans from the 1981 list.

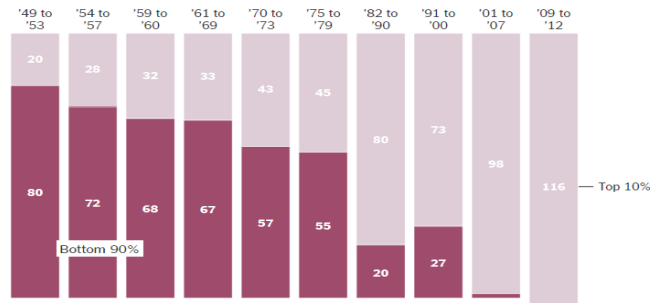
Instead of being a source of scorn, we should be cheering for those who were born without a silver spoon, yet who were smart enough and worked hard enough, and yes, sometimes were lucky enough, to build a net worth with nine, count 'em, nine zeroes in their net worth.

What the left fails to realize is the fact that wealth creates opportunities.

As can be seen by the chart below, wealth inequality has increased with each expansion in the post war Era, and most recently, the bottom 90% experienced a decline in income from 2009 to 2012.

Inequality Has Increased With Each Expansion in the Postwar Era

Percent share of income growth received by the top 10 percent and bottom 90 percent of earners during expansions



The bottom 90% experienced a decline in income from 2009 to 2012, meaning their share of income gains was negative

(Source: Pavlina R. Tcherneva calculations based on data from Thomas Piketty and Emmanuel Saez and N.B.E.R.)

Here are the top 10 on the list:

1) Bill Gates (MSFT) \$81Billion	6/7) Christy/Jim Walton (WMT) \$38Billion
2) Warren Buffett (BRK) \$67Billion	8) Michael Bloomberg \$35Billion
3) Larry Ellison (ORCL) \$50Billion	9) Alice Walton (WMT) \$35Billion
4/5) Koch Brothers (Diversified) \$42Billion	10) Robson Walton (WMT) \$35Billion

The 400 wealthiest Americans are now worth an estimated \$2.29 trillion, a 13% increase from last year's list.

The oldest is David Rockefeller (99 years of age, \$3Billion) while the youngest is 30 year old Mark Zuckerberg of Facebook (\$34Billion). But the interesting story is the person Forbes picked to grace the cover of the 33rd annual issue. It is Elizabeth Holmes, age 30, and the youngest woman to become a self-made billionaire. Not bad for someone who dropped out of Stanford to start a blood testing company, and now has an estimated net worth of \$4.5Billion. Applaud Ms. Holmes? Absolutely!

Consider then the heirs (six) of the Wal-Mart empire who possess a combined wealth of some \$90Billion, which is equivalent to the wealth of the entire bottom 30% of American society. Warren Buffett put it correctly when he said, "There's been class warfare going on for the last 30 years and my class has won."

So there's little debate over the basic fact of widening inequality. Where I take issue is when they are all made out to be bad guys. The wealthy pay the dominant share of all taxes (like 90%) and their companies create jobs, which also pay a lot of taxes. The rich do not exist in a vacuum as some

politicians would like one to believe. Those on the left tell us time and time again that wealth inequality must be addressed. The fact is it's existed since time began, and wealth inequality works.

Capital accumulation, together with free trade, specialization, property rights and the rule of law explain why, for example, West Germany became materially and culturally wealthier than the former East Germany.

So it becomes that inequality of wealth is a driver of growth. The young, with great ideas, like green technologies, or a Facebook, or a design app, inevitably get their financing from the wealthy in some shape or form. They also foster cultural diversity, and are often the main sources of funding for religious or cultural projects, not to mention the day to day charitable contributions which fund valuable research to cure diseases or create drugs which can combat, say, the Ebola virus.

They support and can properly fund experimentation where Governments do not (and in most cases, should not) tread. Science, art, political discourse are just some examples. I can buy theatre tickets, but I can't afford to fund a new theater production.

This is not an argument for "trickle down" economics. Capitalism, by definition is a creator of wealth and creativity, and the eventual resulting disparities are a by-product.

We should celebrate the Elizabeth Holmes' of the world. In but a decade she took an idea, created Theranos, and by 2014, the company offered 200 forms of testing in every state of the USA, has 500 employees and was valued at more than \$9Billion (she owns 50% of the equity) and no doubt pays more than her share of taxes, and she's still only 30 years of age – WOW. God bless her. By the way, one of her initial sources of financing was none other than Larry Ellison of Oracle, #3 of the Forbes List.

Stay tuned,

Vito Finucci
Vice President and Director
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