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## Taxes and Billionaires

By now, we know that the annual income tax burden on American taxpayers is not changing at year's end. Whether or not the extension of the 2017 tax rates is a "big beautiful bill" is open for debate – but at least we all have certainty on taxes and can make plans accordingly. Not knowing what lurks around the corner is a difficult environment to remain in for long, so clarity is always a preferred outcome. However, it does seem as if each incoming administration puts their own spin on the tax code, and every time, the cacophony of arguments from each side of the tax debate get more heated.

To illustrate this point, two recent events caught my attention. The first is that in what is undisputedly the epicenter of capitalism in America, New York City – the race for mayor is being led by a 33 year-old socialist from Uganda. Since no one under the age of 35 has lived a true socialist experience, nor actually read unbiased reporting of it in school, ideas like free bus trips, rent freezes, government run grocery stores, and other similarly failed policies seem attractive to some uneducated voters. But it was his stance on wealth that caught my eye. Zoran Mamdani said, *"I don't think that we should have billionaires because, frankly, it is so much money in a moment of such inequality, and ultimately, what we need more of is equality across our city and across our state and across our country."*

It is not clear to me if his plan is to confiscate the wealth of billionaires or simply deport them to another country, but any way you parse this statement, it reeks of economic illiteracy. Billionaire heir to the Hyatt fortune, Illinois Governor J.B. Pritzker replied to Mamdani's anti-billionaire edict, saying, *"How much money you have doesn't determine what your values are."* And, I would add to that, "what incredibly impactful things your wealth can do for society" – but, more on that later.

The second event that caught my attention is a new campaign by the non-profit, More Perfect Union – a group that has erected over three hundred billboards in nine states against billionaires (including one in Richmond along I-95.) These billboards feature four different billionaires: Mark Zuckerberg, Jeff Bezos, Elon Musk, and Peter Thiel – with slogans like "We make big tech rich. They take control of our lives."

The theme undergirding this anti-billionaire movement is, of course, inequality – which is always and everywhere a consequence of capitalism. Those who know me, know that my favorite quote (which I have printed on a t-shirt) is from Margaret Thatcher. She said, *"The problem with socialism is that sooner or later, you run out of other people's money."* However, a more pertinent quote may be from another British Prime Minister three decades prior, Sir Winston Churchill. He famously said, *"The inherent vice of Capitalism is the unequal sharing of blessings, the inherent virtue of Socialism is the equal sharing of miseries."*

That, in a nutshell, is where we find ourselves today. People feel today's economy is "unequal" and demand something be done about it. But before we set about stripping wealth from people who have worked hard to earn it, perhaps we should spend a moment thinking this through. Prior to the enactment of a national income tax in 1913 – when the country was built by import duties (tariffs) – wealth was created by those who saw an opportunity or an unmet need, and risked their own time, effort, and capital to build something the marketplace desired. Some kept that accumulated wealth for themselves, but many others used it for the greater good. One only must thumb through a history book to see the private universities, hospitals, charitable foundations, and great architecture created long before the idea of income taxes was enacted a century ago.

Yes, what made America possible was the idea of a unique system of governance – never before seen on our planet – but what made America what it is today was the rise of industry, fueled by capitalism. The “robber barons,” Andrew Carnegie, Cornelius Vanderbilt, John D. Rockefeller, and JP Morgan made enormous sums of money for themselves, but the rise of steel, railroads, shipping, and banking propelled America’s economy forward, and allowed shareholders to build wealth at the same time.

The same can be said for today’s billionaire class: Jeff Bezos, Mark Zuckerberg, Jensen Huang, and Elon Musk. Personal fortunes have been made by them, but the entirety of America has benefited from the technological improvements that their companies have provided. Who among us has not had our lives made more convenient by having an iPhone, the almost instantaneous delivery of goods, using GPS for directions, or “how to” videos on YouTube? These life improvements are in addition to the opportunity of building wealth for investors by owning a piece of these great companies.

As an example, as of this writing, Jeff Bezos has a net worth estimated to be \$234 billion, mostly from his shares of Amazon. However, Amazon has a public market cap of roughly \$2.3 trillion. This means that *other people* have gained \$2.35 trillion due to his success in creating that company. Were it not for him, these dollar gains would not exist. And the same goes for all the other entrepreneur billionaire class, and the companies they create.

But, importantly, it goes beyond that. Whether or not you like Bill Gates, Elon Musk, or Warren Buffett (or how they made their money) – they have pledged to give *almost all of it* away. Mark Zuckerberg has the Chan Zuckerberg Initiative, which will be funded with \$45 billion in Meta shares, and has as its goal to cure, prevent and manage all disease by the end of this century. Similarly, Bill Gates and Warren Buffett have established a charitable foundation, as have over 250 billionaires ranging from the Walton family to Michael Dell, Michael Bloomberg, and countless others.

The idea is simple – that wealth earned and properly stewarded through the charitable giving process is a better delivery of concept than the government redistributing other people’s money with far less accountability.

We simply can’t redistribute our way out of the nation’s current fiscal problems, no matter how often politicians say that we can. The only way out of the spending imbalance we have today is to grow our way out of it tomorrow. I recently heard a podcast with legendary hedge fund manager, Paul Tudor Jones, in which he discussed taxation and spending. He laid out what would be required to truly balance our national budget. He stated we would need the top income tax bracket to rise to 49%, to hike capital gains taxes to 40%, and a 1% annual wealth tax on everyone – *while at the same time* cutting everything in the federal budget by 6%. That’s not just discretionary spending cuts – this means Medicare, Medicaid, Social Security, and defense spending, too.

Since this will never happen – we need to remove obstacles to growth for our entire economy and allow the most innovative among us to create companies of immense value that improve life on earth for everyone.

Speaking of life on earth, when you have an hour, listen to the Andrew Ross Sorkin interview of Jeff Bezos from last December. Titled “From Amazon to Space,” Bezos discusses how difficult it was to start the company that made him wealthy, and his future plans to improve life for all of us. In the interview, he details his idea to move all heavy-polluting industry to the moon this century, thus preserving a garden-like earth for humanity going forward. If it sounds like science fiction, remember that he, Musk, and Richard Branson have all recently done what NASA failed to do in its 70-year history – create reusable rockets that can take off and land where they started.

So, remember this discussion the next time you hear a politician say we need to punish billionaires because our financial lives are not fair. In my humble opinion, our society needs many more billionaires – and far fewer socialist Mayors....