

# Never was so much owed by so few to so many

***Hunter Lewis, author of *Are the Rich Necessary?* talks about how the rich can actually be a benefit to us all***

**In the book you present both sides of each argument, but what do you really think about the rich?**

“I do not think that rich people in the style of Donald Trump, the lavish spenders, contribute much to the economy. Yes, their extravagances create some employment, but producing more yachts is not the most direct route to ending world poverty.

“There is a second category of rich people, those who use government money or exploit their ties to the government in order to enrich themselves. This category, unfortunately, is growing by leaps and bounds. Consider, for example, that hedge funds today rely on cheap loans that can be traced back to a point of origin in central banks. I do not think that rich people feeding off government contribute much to the economy, either.

“Every economy depends on spenders, but especially on savers. The middle class can save for a time but eventually must spend what they have accumulated on their children or retirement. The rich are different. Because they have more than they can possibly spend, they must save. And this saving, if carefully invested, helps the overall economy and thus indirectly helps everyone. Rich people should not be extravagant but work hard, save and invest wisely. If they do, society will benefit and they will justify themselves.”

**What is your favourite argument in the book and why?**

“Most people take it for granted that private markets promote selfishness. Selfish people may do well in business for a time, but in the long run they alienate their customers and employees, and in competitive markets customers and employees can easily walk away. Selfish or narrowly selfinterested behaviour is ultimately self-defeating, in business as in other aspects of life. In order to have a successful economy, we should be teaching and promoting unselfishness. Some financial firms think this way. They came through the crash unscathed and are doing very well now.”

**You suggest that people should not be protected from the consequences of their actions. So the banks should not have been bailed out? Sub-prime borrowers should lose their homes?**

“I do not want to sound like a high Victorian, but I do think we need to distinguish between people who get in trouble through no fault of their own and those who get in trouble through recklessness and greed. I also don't think it is ever a good idea to bail out rich people, which is what we actually did in the case of the big banks. We bailed out the bondholders, almost none of whom were poor. If those banks had gone under in an orderly liquidation facilitated by the government, there were many other banks to take their place.

“Many people have noted the merger of Wall Street and Washington, the City and Whitehall. Generally they assume that this merger resulted from the crash of '08. I think it truer to say that the merger of

finance and government caused the crash. The bailouts have only increased the money flows in both directions and the potential for 'soft' political corruption. It is bad enough to put our economies at risk. It is even worse to put our democracies at risk as well."

**You say that money should go from the rich, not to government, but to not-for-profit organisations to run public services. Why would this be preferable?**

"The original idea behind progressive taxation [higher brackets for the rich] was to redistribute income to the poor and disadvantaged. But in actuality very little of the extra taxes from the rich is used for this purpose. I would like to see a system in which higher-bracket people can either send their extra taxes to the government or to a registered charity, especially charities directly concerned with helping the poor and disadvantaged. This can easily be accomplished by replacing charitable tax deductions with tax credits for specified categories of charities and gifts."

**Do you believe that there should be a limit on taxing the rich?**

"We do need the rich to save and invest. No one else can play the same role. Everyone else tends to spend whatever additional money they get. This is especially true of government. If we do tax the rich more, I hope the money will be used to reduce the deficit, not for wars or even for healthcare. The developed nations are closer to bankruptcy than people realise."

**Do you think that our economic woes are making people think in a more philanthropic way?**

"There are some ideals that appeal to almost all of us. Charity is one of them. Unfortunately, we often have to choose among competing ideals. But I hope that we can substantially expand the charitable sector of our economies. Government, private business and charities should be full partners in a modern economy.

"It is eerie how little has really changed following the crash of '08. The only thing that has really changed is that there is even more bad debt than there was before. I do not think that we will get a real overhaul until the voters rise up and demand it."

**Some arguments against:**

- The rich essentially are parasites. Company owners can be accused of making money off other people's hard work Wealth causes poverty; without the rich people, there would be no poor people. Some argue that if the rich gave their money to the poor we could eradicate poverty The problem is not simply that very rich people do not share adequately with the poor. The larger problem is that the rich steal from or exploit the poor

**Some arguments for:**

- Our economy needs rich people because they have money which they can save and invest There cannot be too much saving if it is invested properly. Investment spurs productivity, which leads to economic growth, which creates jobs for the future If the guardians of social savings invest well, as measured by business profits and economic growth, they deserve to stay rich or become richer Redistribution of wealth would lead to the destruction of savings and investment — the capital that underlies the economy

- Are The Rich Necessary? Great Economic Arguments and How They Reflect Our Personal Values *by Hunter Lewis (Axios, £7.99) has been updated, expanded and relaunched.*