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The Economic Impact of Successful Businesspeople: The Dual Effect of Wealth Creation and Spending

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Abstract:

This article explores the complex impact of successful businesspeople on others and society through wealth creation and spending in their economic lives. The article begins by defining the concept of a "successful businesspeople" and points out its diversity in different historical and political contexts. Then, from an economic perspective, this paper analyzes how successful businesspeople can positively impact society by promoting economic growth, improving production efficiency, creating jobs, and donating to philanthropy in their different roles as investors, producers, consumers, donors, and employers. However, the article also points out the negative externalities that can be brought about by successful businesspeople, such as environmental damage, labor problems, data privacy violations, and public health risks. By citing historical and modern examples, such as Andrew · Carnegie, Henry · Ford, Jeff · Bezos, and Elon · Musk, this article further elaborates on how the economic behavior of successful businessmen has both positive and negative effects, and emphasizes the importance of understanding these complex relationships.

Keywords: Successfu businesspeople; economic impact; wealth creation; spending; positive impact; negative impact.

1. Introduction

When one thinks of successful businesspeople, the image is usually of a confident person making bold decisions to secure their immense personal wealth. 1901, following the sale of his steel company, Andrew Carnegie spent the rest of his life giving away the remainder of his fortune to fund libraries, education, and scientific research, famously stating, "The man who dies thus rich dies disgraced."[1] On the other hand, this is the case of modern business personalities such as Jeff Bezos, whose amassment of wealth has been the subject of both praise and controversy.

They underline the ambiguous interplay between how influential businesspeople provide benefits and yet might arguably harm society in multiple ways by their actions. This essay will further explore to what extent business leaders have been seen to benefit others by the wealth they create and spend or whether their impact is a series of both positive and negative externalities.

2. The Complexity of Defining „Successful Businesspeople"

Businesspeople usually refer to people who have founded, owned, or held shares in (including as angel investors) a private-sector company.[2] Using their human, financial, and intellectual resources, they run their businesses and promote economic growth via competition, cooperation, negotiation, and transaction. In the daily running of their companies, they generate added value in cash flow, sales, and revenue in commerce and industry domains.

It is noteworthy that the definition of "successful businesspeople" could be different in various kinds of historical and political backgrounds. Therefore, what has been recognized as a success in one situation might not be considered as so in another. For example, the so-called businesspeople running the colonial corporation, such as the East India Company, might be regarded as successful by the British rather than by the colonized people. Similarly, munitions merchants could be viewed as successful in the eyes of their investors but not the peace activists and the general public.

Considering the complexity of this question, this study will mainly address this research question through the lens of economic life. When "successful businesspeople" make money, they usually take the role of entrepreneur/producers, intermediaries, financial practitioners, employers, and taxpayers; when they spend their money, they are mainly consumers and taxpayers. In these vital positions, successful businesspeople create products, generate job opportunities, drive innovation, and contribute to national economic development, maintaining the country's functions and advancing scientific progress. Therefore, this study would argue that, through the lens of economy, successful business people benefit others when making and spending their money on the condition that their production and consumption are legal, non-controversial, and following an ideal economic model. However, in some cases, they might also not benefit others, mainly regarding non-economic domains, such as environment protection, human rights, and public health.

3. Boosting Economy as Investors and Producers

Considering the influence of successful business people's spending consumption will benefit others involved in economic life. In most countries, consumption is the most important part of GDP, and consumption usually consists of a significant part, ranging from 45% to 85%.[3]:

$Y=C+G+I+NX$

C stands for consumption; G stands for total government spending. (including salaries); I stands for Investments; NX stands for net exports. Net exports are exports minus imports[4][5].

It can be seen from the above formula-defined GDP (Gross domestic product)[6][7] that the higher the specific consumption level, the higher the overall GDP, the stronger the economic vitality. Therefore, consumption, including that of successful businesspeople, is beneficial to economic vitality and economic strength in general. Because successful merchants often have more capital resources and thus purchasing power, their consumption ability is essential for financial life, mainly when the overall purchasing power is limited during the economic downturn. This is because the income level and permanent income, considered by economists such as Keynes[8] and Friedman[9], might be the determining factor affecting consumption[10].

4. Contributing to the Economic Industry as Consumers

In addition, successful merchants would generally be associated with products and services with higher quality, higher-quality products and services, and their higher purchasing power might motivate the producer to satisfy their needs. As a result, the quality and supplement of the industry might be enriched, which would benefit other consumers. Successful merchants' requirements for goods further stimulate the sector's creativity to improve the quality of products to meet the consumption needs of this part of the high-end consumer group. If there is no particular demand for high-consumption groups, high-quality and creative goods in many industries may not enter the field of mass consumption. One example would be Adaptive Cruise Control (ACC), which is used in high-end luxury vehicles. This system usually works by the car automatically regulating its speed to maintain a pre-set distance from the vehicle in front[11]. Some early adopters in this regard have been the Mercedes-Benz S-Class and BMW 7 Series[12]. Over time, ACC technology became cheaper and permeated the marketplace. It was at this point that manufacturers began installing ACC in cost-competitive models. Now, it is available for most mid-range vehicles, including the Honda Accord, Toyota Camry, and Ford Fusion. Hence, more drivers can enjoy more convenience and safety[13]. Its transition to regular cars improved safety, reduced fatigue, and enhanced driver comfort[14].

5. Benefiting the General Public as Donors and Employer

Apart from consumption, donation is also a standard method for successful businesses to spend money. Some entrepreneurs will give back to society by donating or running a charity, and they can contribute to society as a whole through their donations and influence. Specific examples are the foundation established by Bill Gates[15][16]. For example, the 2023 Forbes 400 list collectively gave more than $250 billion to charity, accounting for a significant proportion[17].

Apart from that, their business success leads to business expansion and increasing job opportunities. Hiring more employees might lead to the growing purchasing power of the general public once they gain job opportunities and stable income. Therefore, the success of business people will ensure the survival and expansion of their business and thus empower the virtuous circle of economic lives. It means that their success enhances the healthy development of the whole circular flow of the national economy on a larger scale.

6. Improving Production Efficiency as Competitors

Successful businesspeople benefit others by improving production efficiency and reducing costs, enhancing product competitiveness. Their success in expanding market share and commercial territory stems from outcompeting rivals with more profitable business models, leading to higher economic gains. Henry Ford, in the dawn of the twentieth century, revolutionized the automotive landscape by embracing assembly line production methods, thereby propelling production efficiency to soaring heights and slashing costs, marking a monumental leap in industrial progression[18][19]. This innovation made cars more affordable, expanding ordinary consumers' purchasing power and promoting the automobile industry's rapid development[20][21]. Hence, Ford's assembly line production not only met the demand of high-consumer groups for cars but also made cars affordable for more people, thus benefiting the general public, not only consumers. In the pre-assembly line era from 1903 to 1908, Ford only produced around 18,000 Model T cars, reaching an astonishing 15 million units from 1908 to 1927[22][23]. In this scenario, products that satisfy consumers would be generated and thus meet the market demand. This is because the success of these enterprises or commodities is based on finding market demand and efficiently meeting this market demand.

In addition, the success of these businesspeople forced some underperforming manufacturers with low efficacy and productivity to quit the competitive market, which is a saving of social resources, including the resources of the means of production and human resources[24]. Their success in production also means that the whole industry can better provide higher-value services or products for consumers. In this case, it is understandable to assume that the general public and economic entities benefit from the success of these entrepreneurs' making money. Furthermore, when a business is booming, its continuity and constant production would enhance economic vitality, and an excellent economic environment will benefit others in a broader range. This is because all related industries will benefit from the operation and growth of the successful business, whose existence forms a whole production chain[25].

7. Positive and Negative Externalities

The virtuous circle shaped by the success of confident businesspeople could be explained by the theory of positive externality, which refers to the positive effect an activity imposes on the third party[26]. In reality, as mentioned above, the success of a specific business and the entrepreneurs might be attributed to satisfying the emerging needs of consumers and enhancing the positive growth of the whole industry, causing social benefits that are far greater than the personal benefits[27]. According to this theory, the benefit that successful businesspeople bring to society is greater than the personal benefit of businesspeople themselves (Social Benefit > Private Benefit), and the benefit gained by "other" would be understood as the external benefit in this model (Social Benefit = Private Benefit + External Benefit.) Examples of successful business people like Henry Ford and Steve Jobs, the successful businesses behind them that demonstrate up-to-date technologies to other firms and improve their productivity could be examples of a positive externality[28]. For instance, technological externalities directly affect a firm's production and, therefore, indirectly influence an individual's consumption and the overall impact on society, such as Open-source or free software developed by corporations[29].

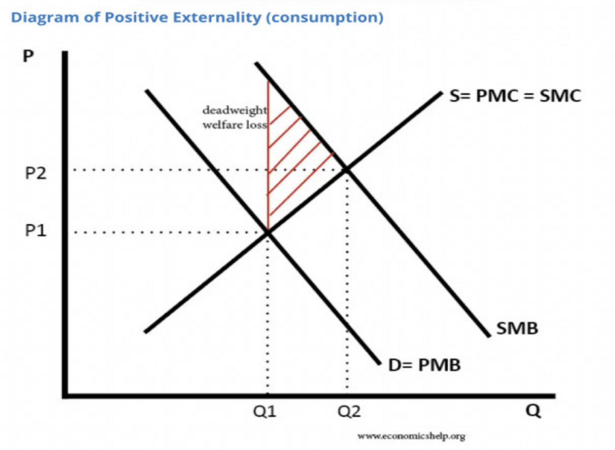

Figure 1. D = PMB (Private Marginal Benefit), S = PMC = SMC (Private Marginal Cost = Social Marginal Cost), SMB (Social Marginal Benefit).

On the contrary, the ominous external repercussions emanating from the triumphs of accomplished entrepreneurs ought not to be cast aside into the realm of neglect.In the context of successful businesspeople, negative externalities are defined as the unintended adverse effect of business activities on third parties or society at large[30]. These are said to occur when the actions of such business people or organizations lead to adverse consequences whose costs are not reflected in the prices of their products and services, hence imposing costs on others without compensation. The negative externalities of these successful businesspeople usually involve environmental damage, labor issues, data privacy violations, and public health[31]. For instance, while Elon Musk tries to market Tesla's electric cars as an environmentally friendly option, the company has a problem with its operations being ecologically and ethically unsustainable, mainly connected with lithium mining for batteries and matters of community impact[32]. Also, Mark Zuckerberg's Facebook has been criticized for spreading misinformation or fake news, seriously affecting the political process and public health, especially during the COVID-19 pandemic[33]. Successful businesspeople generate negative externalities in their production and consumption process, which usually go beyond the scope of the economy.

In conclusion, people in business play an essential part in the virtuous cycle of economic life as their production and consumption behavior energize the market and promote economic growth in the long term. When successful entrepreneurs are more involved in the consumption and production process, when they make money and spend money, they can contribute to the growth of the whole economic ecology, thus benefiting the general public who engage in the economic situation. However, as illustrated at the beginning of this study, the complexity of this question determines that it would be impossible to fully demonstrate the interest relations between successful businesspeople and others from all scopes, including the social, political, and cultural perspectives, just as the example of successful colonial merchants. Therefore, it would be reasonable to assume that successful businesspeople who benefit others in their economic lives under the ideal economic model might help others. However, such beneficial relations might not be witnessed in other scopes.

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