



Wealth of the Super-Rich has Increased by \$434 Billion Since the Pandemic | Report by IPS

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Zain Raza (ZR): Thank you guys for tuning in today. And welcome to another episode of The Source where we interview researchers, policy experts, whistleblowers or former insiders. My name is Zain Raza. And today, we'll be talking to Omar Ocampo from the Institute for Policy Studies. He's a researcher there and focuses on inequality and the common good. Omar is also part of a Latin based grassroots organisation called MiGente. Omar, thank you so much for your time today.

Omar Ocampo (OO): Thank you for having me.

ZR: Omar, you are part of a team that recently released a report called Billionaire Bonanza 2020: Wealth Windfalls, Tumbling Taxes and Pandemic Profiteers. In this report, we reveal how billionaires saw their net worth and wealth increase during the recent pandemic. Before we examine this report, could you set the stage for us? And first, talk about the methodology that your team employed and whether you were faced with any shortcomings in your research?

OO: At the Institute for Policy Studies every year we release a report on billionaires and see how they're doing. So we actually thought that this year was actually kind of interesting because Forbes released an annual list and they basically quickly asserted that the rich are not immune to the economic impacts of the coronavirus, and that their wealth has actually taken a dip. So when we looked at it initially, if you compare March 2019 to March 2020, there actually was a dip. But we wanted to see what the trajectory of billionaire wealth would be like throughout the pandemic, so we began to track it. So our methodology pretty much centred on using the databases that Forbes and Bloomberg have. So they both have live billionaire trackers and basically we would just pull that data, analyse it and that's how we got some of our findings. So, of course, some of the findings of our report are that, since 1990, billionaire wealth has increased over 1000%, while the median household wealth has increased just a mere 5% in basically the same period. So the rich are rich getting richer during the pandemic. The pandemic is actually not the great equaliser, as some people were trying to argue. And since March 18th, when Forbes finalized their list, the billionaire wealth actually increased 282 billion dollars. And as of today, it's over 400 billion dollars.

ZR: OK, we'll dig deeper into that. But for our younger viewers, could you clear up some of the terminology that is used, for example, net worth, wealth, income? Because sometimes these terms are mixed up and there's no differentiation made. Could you just clarify these terms before we dig deeper into this?

OO: Yes absolutely, so net worth and wealth, basically means the same thing. So it's basically assets minus debts. So if you have more assets than debts, then you have a positive net worth or wealth. And if it's in the negative, that means you have more debt than what your house is worth or what's in your savings account; then you have a negative net worth or wealth. And income is just basically your earnings. So it could be basically what you earn from work, so your salary. So there's a difference between income and wealth.

ZR: I would like to focus back on the 90s. You already mentioned very briefly, your report traced the growth of wealth off the billionaire classes since the 1990s. And what I found really interesting is comparing it to the growth of wealth (if you could even call it growth of the wealth) of the median households, the average people. Could you provide us some stats and figures or = main findings during just this particular period?

OO: Basically since the 1990s, there's actually been an upward trajectory for both median household wealth and also for the billionaires. But then things actually start to shift once we have the 2008 economic crash and there's a dip for both. So a lot of wealth gets wiped out, but the billionaire class was able to recover to their pre-2008 levels in basically two years, and the same cannot be said for your average household. And in fact, it actually hasn't recovered to their pre-2008 level. So it's still below. And I think what makes this pandemic even more heartbreaking is that the middle class and the working class are starting to rebuild their wealth up. And now you have this pandemic and it's basically just going to wipe away everything they have been working hard for, for basically the past twelve years. So, not only have they not recovered to their pre-2008 levels, whatever gains they were able to make within the past five years have now gone.

ZR: Let us move to the coronavirus pandemic. You already touched upon it. The feeling that you get when you watch a television, that is, we are all suffering as a society collectively, economically, and this is what your report dissected. You get the feeling that we are part of the same sinking boat. Talk about how the average person - you mentioned something called negative wealth - could you talk about that concept and how the average person during this pandemic was affected with this concept?

OO: Yeah, so I think a lot of this is also racialised. So coming even before the pandemic, the African-American community and the Hispanic community were more likely to have negative wealth. So therefore, they have higher debt and basically than income or assets. And a lot of this could be traced to student debt. You know, there are people with over 100 000 dollars in student debt, and this affects particularly the African-American community and particularly black women. And they have a hard time actually even repaying those debts. And 15 years after they've graduated, they don't even have one dollar that actually goes against the principal, so the interest rates are through the roof. And basically, with the advent of the coronavirus, African-Americans and hispanics are more likely to be laid off from their jobs, mainly because they are overrepresented in the sectors of the economy where the social distancing mandates actually halt economic activity. So since they possess less wealth, they don't have a buffer, or they don't have the assets to help maintain their current consumption levels. And that's basically the issue.

ZR: Well basically, one expense comes along the way - an unexpected expense - and they're completely wiped out, they'd have to get governmental support. Is that what you're trying to sum up with negative wealth?

OO: Well, for your average working person, even if they don't have negative wealth, even just a simple expense of like 400 dollars in an emergency can basically throw them into negative wealth because they're going to have this insane health care medical bill, for example. So they basically don't have the resources to accumulate wealth like the upper class, like the top 10% of the income earners. And unfortunately, government policy doesn't favour them. Government policy usually always favours people who already have wealth. So that's this is why they're able to increase their wealth in such a short period of time.

ZR: It would be interesting to talk about the underlying mechanisms that lead to such massive wealth accumulation into the hands of very few sectors. Has this all happened naturally, or is the billionaire class funding a certain strategy, tactics, methodology that ensures that their wealth flows into one direction? And if so, what is it?

OO: This is a very good question. I do think that when it comes to technology, there is almost a sort of natural way for such a concentration, because in my opinion, when digitisation occurs, it actually creates a winner take all markets. So whenever a market becomes more digital, the more likely it is for that market to be absolutely dominated by a small group. It's because no one is interested in downloading the 10th best GPS traffic app when you have access to the top two or three. But I think there are a lot of strategies that the billionaire class deploys in order to amass the wealth. So one obvious one is that, basically since the 1980s, they have systematically undermined unions. So they're more interested in increasing profits at the expense of higher wages for workers and for benefits. They do not pay their workers according to their productivity. And of course, they use this wealth to influence the political process, to corner markets, to get subsidies, to get bailouts, and basically to decrease their taxes. And I think this is all the logical result of the Reagan Thatcher revolution that started in the 1980s. These policies created the conditions for vast wealth inequality and to be basically transferred to the top.

ZR: Who are these billionaires who profited? Right now, recently? What names stand out for you?

OO: So I think the most obvious is Jeff Bezos. His wealth has increased. Like it's extraordinary how much it has increased. So when he started off the year, his wealth was at 115 billion. When our report was released, his wealth went up to 140 billion. As of this morning it is now 150 billion. That is basically a 35 billion increase, if my maths is correct, in just about five months. And this is larger than the GDP of Iceland, just to give it perspective. I think this is because the pandemic is playing to all of Amazon's strengths. It has massive wealth to begin with, so it had the resources to weather the initial hit while small businesses have closed up shop. There have been reports saying that 40% of small businesses in the United States will probably close for good within the next six months. So this gives Amazon the ability to increase its market share and to be the go to online retail business. And again,

this is all happening at the expense of worker safety. Amazon has refused to say how many of their employees are sick. They have fired workers who have raised concerns. And the last I checked, they also are reversing the hazard pay that they were entitled to. So yes, they're reversing the hazard pay that the workers were entitled to. So Bezos is literally making billions of dollars while risking the lives of his workforce.

The other profiteer that I think is worth mentioning is Erik Yuan. He was the founder and CEO of Zoom. So he became a billionaire last summer. But basically, since the pandemic started, his wealth has ballooned. He was roughly worth four billion dollars by the end of January 20, 2020. And now he's over nine billion. So Zoom has proven itself to be a very vital and necessary technology. And for me, the question arises whether or not Zoom should be converted into some type of public utility, because all this type of economic activity occurs on it, business meetings, education, etc.. And I think it's because of how vital it is and how essential it should probably be brought into the realm of the commons. So I definitely think that's a question that should be interrogated.

ZR: Naturally, the argument that I hear when I talk to people who believe in the free market is that the billionaire class deserves this wealth as they create ingenious ideas that lead to productive and efficient businesses. This could, for example, apply to Zoom. And perhaps people like Jeff Bezos would go on to argue that, hey people should have been part of the digital revolution and get away from conventional systems. After all, the other part I hear is that they contribute generously with donations, with philanthropy. I believe Jeff Bezos provided a hundred million to a non-profit organisation called Feeding America, that provides food to 46 million people. Elon Musk is providing ventilators. What do you make of these arguments? And isn't this charitable giving a noble thing to do?

OO: I think if we decontextualize our society, charitable giving is an honourable thing to do, and it's and it's a great thing. And I think, especially in these times, we should definitely not reject any type of charitable giving. However, it's basically crumbs from the banquet. Charitable giving does not scale. It does not address structural problems. The only way you can actually really do this is through taxation. So once you're able to tax, you're able to have a stake, get the resources, in order to improve education for everyone across the whole nation. You know, Bill Gates, he's very involved in education, but he's only doing it in one city. And then it's also debatable whether or not the type of initiatives that he's trying, that he's advancing, is even helping the education of the people, the educational attainment of the students. So I also think that philanthropy is also a good way for rich people to launder their reputations. So they may be able to profit off the opioid crisis, but then give a very small percentage of their wealth in opioid research. So, it's a very vicious cycle and I think that the way to properly address all of this is through taxation.

ZR: So you think that taxation would be a more efficient way? Because I could already imagine the counter argument that the government is inefficient when it comes to distributing wealth. What guarantees do we have that the wealth that will be taxed will go to the productive sectors of our society instead of something like the military-industrial complex? At least, the private sector would argue that we would allocate it (the wealth) into the areas that really need help instead of what the government does. How would you counter this argument?

OO: Well, I think that the first thing you've got to ask ourselves is, when the rich people get their tax breaks, what do they actually do with their wealth? Do they actually use those funds, invest them into the productive economy? Or do they invest it in financial instruments, which basically trap people into debt and then they extract rents out of them? And I would say that, it has been the latter. So when you reduce taxes, that means that the government actually has less revenue, but that doesn't mean that their expenditures actually decrease. So where does the government go to get their money? Sometimes they actually end up borrowing from the people they're actually supposed to be taxing. So this means that there's a wealth transfer, because how do you repay back that loan or that debt. It's through taxation, which comes from your working class and middle class Americans. So I don't actually think that they invest that money in productivity. And I also think that since the 1990s, there's also been a decoupling. So, for example, when we used to have productivity, there would be GDP growth, which was correlated with productivity growth and employment growth. And now that's not the case. And so now that just leads to greater concentration of wealth, which I think is terrible for democracy. So if we want to improve, taxation is just one instrument of many.

ZR: So what benefits do people like Bill Gates or Jeff Bezos get when they donate to the nonprofit sector? Are there any immediate economic benefits that they derive or do you think is a pure act of altruism?

OO: No, there's definitely an economic benefit from philanthropy. So, one, they get the huge tax write off. So therefore they're able to keep more of their wealth. And like I said, this is why philanthropy is always crumbs from the banquet.

ZR: So let us move on to the mainstream media in Germany. A report of this kind would probably, if it ever came out on mainstream media, would cause so much anger and frustration. Especially given the harsh economic difficulties the government is supposed to combat now with economic packages, which are also coming into being by taking on future debt instead of coming out from tax havens or taxing the wealthy class. How has the mainstream media responded to the report that you released? And is it covering this issue with as much vigour as you think it should?

OO: So I actually think that the mainstream media, at least the print media - which is different from the television networks - the print media has actually done a pretty good job, and they've been very receptive with this with this report. And I think they're also acknowledging that, as there are tens of millions of people who are applying for unemployment benefits, and there's an increase of jobless claims, that the wealth of the billionaire class is actually increasing. And then the stock market is actually doing relatively really well.

So that shows that there's a disconnect between what is good for Wall Street is not necessarily good for the working class and the middle class. I think that, from my point of view, I actually haven't seen much coverage on the television networks and I think that's where we need to target more. And those are the ones we need to speak about because they have a much wider audience. People are more receptive to watching visual media than to actually read print media.

ZR: My last question, I want to leave our viewers with solutions. What short-term and long-term recommendations do you have, to curb this problem of inequality? And are there any candidates at the moment, in your opinion, that are talking about this and recommending exactly what you proposed in your report?

OO: Yes, I can name two solutions in the short term, so the first would be a levy in excess profits tax. So, the prices of commodities are going up and there are some corporations who are making a lot of money right now. And with a tax on excess profits we can actually use some of those resources to help those who are in need right now. And the second one would be an emergency millionaire income tax. So basically, anyone who is making over two million dollars a year, there would be a 10% tax on their income. And basically, that is just 1% of the population, only 1% of Americans make more than two million dollars a year. So I think these two measures will definitely help ensure that we have the resources to help those in need. Like I said previously, the billionaire and millionaire philanthropy just does not scale.

For the long term, we can actually keep the millionaire surtax in place, in the post pandemic world. And we have estimated that it could raise over 600 billion dollars in 10 years. And if we can combine that with a more progressive estate tax or a wealth tax, which is great, because they're taxing non-productive income, basically it will help expand opportunity by funding education, health care and maybe even new initiatives like the Green New Deal. With that said – on a personal level – while I do think that taxation is absolutely necessary to expand opportunity and reduce inequality. I don't think that it's enough, mainly because the ultra rich are always going to resist measures to seek a redistribution of wealth and they have the resources to basically resist it and resist it successfully. So I feel like there should be a focus on "predistribution". And I think that must accompany all the aforementioned measures.

So this can be done by growing the labour movement where workers can participate in the management of their companies, and negotiate what shares of the profits can go to shareholders and owners and what share goes to labour. And I would also be the advocate for worker ownership and having democracy at work where workers themselves can decide how to distribute the surpluses that they produce. And I think that this pandemic highlights the necessity for that. So therefore workers can also decide whether or not it's safe for them to reopen their businesses and not risk anybody's lives.

Now, I think there are many politicians who are now in favour of this. They're mainly in the Democratic Party so they're not what we consider conservative or moderate Democrats, but definitely on the progressive wing of the Democratic Party we see support for these policy proposals. For example, Corey Booker of New Jersey, he wants to modify the estate tax (for example) and make it higher. Elizabeth Warren and Bernie Sanders, they made a lot of headlines this past presidential campaign because they were in favour of a wealth tax in order to help pay for the establishment of a universal health care system. Andrew Yang and even Tulsi Gabbard are now in support of an emergency monthly payment of \$2000, which is basically a universal basic income. So I think this is just a recognition that we need to bail out people and not corporations. And that's how it should be.

ZR: Omar Ocampo, researcher at the Institute for Policy Studies. Thank you so much for your time.

OO: Thank you for having me.

ZR: And thank you guys for tuning in today. Don't forget to subscribe to our YouTube channel by clicking on the bell below and to donate so we can continue to produce independent and non-profit news and analysis. I'm your host Zain Raza. See you guys next time.

The End