

Paul Ryan is wrong: Wealthiest Americans are not “makers,” they’re mercenary takers

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The top individuals on the 2013 Forbes 400 list are generally believed to be makers of great companies or concepts. They are the role models of Paul Ryan, who laments, “We’re going to a majority of takers versus makers in America.” They are defended by Cato Institute CEO John A. Allison IV, who once protested: “Instead of an attack on the 1 percent, let’s call it an attack on the very productive.”

But many of the richest Americans are takers. The top twenty, with a total net worth of almost two-thirds of a trillion dollars, have all taken from the public or from employees, or through taxes or untaxed inheritances.

Bill Gates

Bill Gates may be a knowledgeable and hard-working man, but he was also lucky and opportunistic. He was a taker. In 1975, at the age of 20, he founded Microsoft with high school buddy Paul Allen. This was the era of the first desktop computers, and numerous small companies were trying to program them, most notably Digital Research, headed by brilliant software designer Gary Kildall. His CP/M operating system (OS) was the industry standard. Even Gates’ company used it.

But Kildall was an innovator, not a businessman, and when IBM came calling for an OS for the new IBM PC, his delays drove the big mainframe company to Gates. Even though the newly established Microsoft company couldn’t fill IBM’s needs, Gates and Allen saw an opportunity, and so they hurriedly bought the rights to another local company’s OS — which was based on Kildall’s CP/M system. Kildall wanted to sue, but intellectual property law for software had not yet been established. Kildall was a maker who got taken.

David Lefer, a collaborator for the book *They Made America*, summarized: “Gates didn’t invent the PC operating system, and any history that says he did is wrong.”

Warren Buffett

At first glance, Warren Buffett seems to be a different breed of multi-billionaire, advocating for higher taxes on the rich and a reasonable estate tax. But his company, Berkshire Hathaway, hasn’t been paying its taxes. According to the *New York Post*, “the company openly admits that it owes back taxes since as long ago as 2002.”

A review of Berkshire Hathaway's annual report confirms that despite profits of over \$22 billion in 2012, a \$255 million refund was claimed, while \$44 billion in federal taxes remain deferred on the company's balance sheet.

Berkshire Hathaway has another little surprise hidden in the small print of its income statement. It shows an income tax expense of almost \$7 billion, all of it hypothetical.

Larry Ellison

Ellison was #1 on Sam Pizzigati's Greediest of 2013 list. A well-deserved ranking. Since 2008 the Oracle CEO has awarded himself tens of millions of dollars in stock options and performance pay, most of it either tax-deferred or tax deductible. The money taken from the taxpayers served as a nice down-payment on Ellison's purchase of the sixth-largest Hawaiian island.

Koch Brothers

This is an easy one, sad to say. Koch Industries is taking away our clean air and water, taking its waste to Detroit and Chicago, trying to take away the minimum wage, seeking to take down renewable energy initiatives, and taking away jobs

And trying to take us for fools, with statements like this from Charles Koch: "I want my legacy to be...a better way of life for...all Americans."

The Walmart Family

Where to begin? Walmart takes from employees, takes from the taxpayers, takes from competitors and suppliers, takes from foreign workers, takes from the environment.

Walmart sales associates make about \$9.00 per hour, which comes to \$18,000 per year for a full-time worker, well below the poverty threshold for a family of four (and even below the threshold for a family of three).

Walmart makes more than that from profits and subsidies. In the U.S., the company makes over \$18,000 per employee, including \$13,000 in pre-tax profits (after paying salaries) and a taxpayer subsidy of \$5,815 per worker.

On top of all the business profits, the four members of the Walmart family made a combined \$28.9 billion from their investments last year. Less than a third of that would have given every U.S. Walmart worker a \$3.00 raise, enough to end the public subsidy.

Michael Bloomberg

Bloomberg has taken from workers, vetoing the Prevailing Wage Bill while likening the higher wage campaign to communism. He has taken from children through cutbacks to child care and after-school programs. He has taken funding from the homeless, and he has taken away the dignity and civil rights of minorities through his "stop and frisk"

policy. A long-term pattern of taking from the poor and redistributing to the rich has caused New York City to become the most unequal city in the United States.

Sheldon Adelson

Casino magnate Adelson is a taker. He had his Sands Corporation in Las Vegas declare a special dividend that will pay him \$1.2 billion, at the capital gains tax rate. Meanwhile, The Sands took bribe money, admitting that it likely violated the U.S. Foreign Corrupt Practices Act in its dealings with China.

Jeff Bezos

The Bezos way of taking is by using the extraordinary advantage of tax-free sales on Amazon to offer discounts while undercutting competitors. While this might seem like a failure of government rather than an appropriation by business, it's a little of both, since Bezos, according to Slate, has "spent millions of dollars per year on lobbyists, deployed an army of lawyers, and cultivated political allies with large campaign contributions."

The Amazon CEO also takes from his employees, who are considered underpaid and overworked, making less for warehouse work than Walmart workers, fearful about joining unions, and at risk for physical breakdowns on the hottest working days.

Larry Page and Sergey Brin

Google's business, like that of Facebook, is based on the Internet, which started as ARPANET, the Defense Department's Advanced Research Projects Agency computer network from the 1960s. The National Science Foundation funded the Digital Library Initiative research at Stanford University that was adopted as the Google model. (The late Steve Jobs spoke for the industry: "We have always been shameless about stealing great ideas.")

Google has gained recognition as one of the world's biggest tax avoiders, a master at the "Double Irish" revenue shift to Bermuda tax havens, and employing tax loopholes to bring money back to the U.S. without paying taxes on it.

The Mars Family

Jacqueline, John, and Forrest, Jr. are trying, along with the Kochs and the Waltons, to take more money out of their inherited and untaxed estates by conducting a coordinated campaign to repeal the estate tax. For all three families, the 'makers' were their parents or grandparents.

Lobbying for lower taxes by ill-informed or self-centered estate tax opponents is understandable. But according to a report by Public Citizen and United for a Fair Economy, "The families also have helped finance outside groups that have spent millions on fear-mongering ad campaigns intended to sway public opinion against the estate tax."

Carl Icahn

Icahn is involved in an indirect but lucrative form of taking, asking Apple CEO Tim Cook to buy back \$150 billion of its own stock. Stock buybacks are a means by which major corporations seek to put upward pressure on the market prices of their own shares. Icahn owns \$2.5 billion of Apple stock.

George Soros

Soros went overseas to do his taking, betting heavily against the British Pound after the fall of the Berlin Wall, to the point that overwhelming pressure was exerted on the Bank of England, leading to a collapse of the national currency.

In effect, Soros contributed to the destabilization of a major country's financial position by manipulating the markets and choosing, as he put it, to "go for the jugular."

Mark Zuckerberg

To a large extent Mark Zuckerberg took his Facebook idea from others, in both a long-term and immediate sense. As Gar Alperovitz noted, "Between the mid-1980s and the mid-1990s the National Science Foundation spent \$200 million to build and operate a network of regional supercomputing hubs called the NSFNET. Connected to the ARPANET, this network established Internet access for nearly all U.S. universities, making it a civilian network in all but name."

Zuckerberg developed his version of social networking while he was at Harvard. Before he made his contribution, Columbia University students Adam Goldberg and Wayne Ting built a system called Campus Network, which was much more sophisticated than the early versions of Facebook. But Zuckerberg eventually prevailed for at least three reasons: (1) the Harvard name; (2) better financial support; and (3) the simplicity of Facebook, which ironically boosted the system's popularity among students engaging in social networking for the first time. A possible fourth reason: it was alleged that Zuckerberg hacked into competitors' computers to compromise user data.

One More Take...

Bloomberg and Ellison and Zuckerberg and Page & Brin have one more cunning strategy for remaining on the take: \$1 a year salaries.

It sounds noble, and generates a lot of good will. But as MSN Money puts it, "Dollar pay is typically a myth, since the CEOs getting \$1 in salary often get huge stock-and-option grants." Stock options, dividends, and performance pay are all either tax-deferred or untaxed, or taxed at the capital gains rate. If cash is needed, CEOs like Zuckerberg can borrow against their billions in stock holdings and real estate, at an interest rate much smaller than the income tax rate.

The richest Americans keep making money. And they're taking the rest of us for all they can get.