Concentrated Markets, Concentrated Wealth

Billionaire Blockholders, the Interlocking Rise of Wealth and Market Concentration, and the Role of the US Tax Code

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INTRODUCTION: TAXING MONOPOLY AND TAXING WEALTH

Today, large incumbent firms dominate industries across the United States economy—from meat to medicines, finance to tech, and retail to telecoms. This pivot away from a more dynamic, multiplayer, participatory business sector to a stagnant one stunted under the shadow of a few mega-oligopolies has real consequences for people. Corporate concentration works to extract wealth from consumers and communities and direct that wealth to corporate shareholders, CEOs, and senior executives. Excess market power—and the drive for short-term shareholder returns underlying it (Palladino 2019a)—allows corporations to drive prices up and wages down, leading to fewer good jobs for workers, less innovation and productivity, compromised supply chains and a reduced supply of goods, and greater levels of racial wealth inequality both for individual households and communities as a whole (Brumfield et al. 2020). In turn, supersized firms (and their shareholders) exert supersized political influence—by using their immense lobbying power and resources to crowd out popular participation and citizen decision-making in our democracy. Perhaps sensing all of this, the US public feels more negatively toward big business than at any other point in the last five decades (DiVito and Sojourner 2021).

While policy thinkers and policymakers have sought to address these problems by strengthening antitrust law and competition mechanisms, as well as by building out public options to compete with dominant private firms, tax policy remains overlooked both as a driver of current levels of market concentration and as a possible tool to remedy this problem. Indeed, tax policy—especially corporate tax policy—has historically played a complementary function in trust-busting (Kornhauser 1990; Avi-Yonah 2020). Yet today, taxation is wielded as a legislative tool in narrow ways: primarily, as a revenue-raiser for vital public goods and services. And while taxation is critically important to raise revenue for public goods, this restrictive narrative fails to recognize tax policy's effects on corporate concentration—and its potential as a tool to correct it.

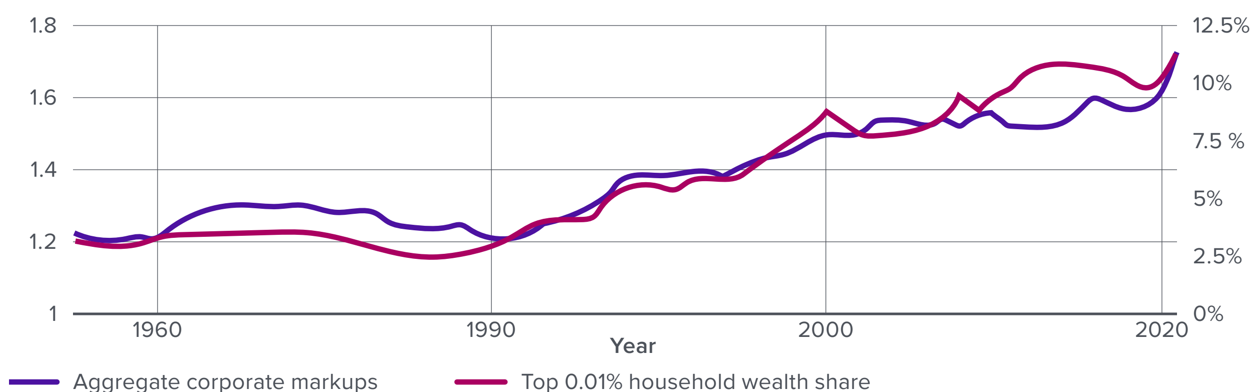
The Roosevelt Institute's Taxing Monopolies series explores how today's tax policies strengthen dominant, incumbent corporations at the cost of workers and small businesses. This series explains how a rethinking and rewriting of the tax code can work alongside other antimonopoly tools to curb the excessive economic and political power of large corporations and their owners. The first issue brief in this series, by Stacy Mitchell and Susan Holmberg from the Institute for Local Self-Reliance, chronicled Amazon's tax break-financed rise to retail dominance and proposed a number of ways to rewrite the tax code to level the playing field (Mitchell and Holmberg 2023). The second brief in the series, by Sandy Hager and Joseph Baines, zoomed out to provide an updated empirical analysis of how the US tax code affects the profit share of the top 10 percent of public companies compared to the rest (Hager and Baines 2023). The authors reveal a striking—and still growing—tax advantage for big business at the state and federal level, and abroad.

This brief—the third in the series—builds on a previous essay (Lusiani and DiVito 2022) to explore the interlocking rise of corporate concentration and wealth concentration as well as the monopoly origins and decisive power of the top 50 American billionaires over their corporations. It then sketches out some possible effects reforming the US personal and corporate income tax code might have on the excess market power of these billionaires' businesses. While more research is needed, we present a plausible case that decreasing the intensely concentrated personal returns of the individuals controlling the business strategies of some of the country's most dominant firms could help disincentivize the drive for market concentration.

I. THE DUAL RISE OF MARKET CONCENTRATION AND US TOP-END WEALTH CONCENTRATION

The concentration of markets in the hands of a very small set of firms and the concentration of wealth in the hands of a very small set of households are often treated as separate economic phenomena, with different sets of institutions and policy solutions to manage them. Yet, they've followed remarkably similar patterns over time in the US. During the post-WWII era, both wealth accumulation and market power were relatively restrained until the mid-1970s, when both began to steadily climb. Both have grown remarkably fast since 1980, and have surged since the beginning of the COVID-19 pandemic. Figure 1 shows this parallel real growth of aggregate corporate markups, a good proxy for market power across the economy, and the increase in the share of national wealth controlled by the top 0.01 percent of households since 1955.[1] The two trends track one another remarkably well, with both ballooning in 2021.

Figure 1. The Parallel Rise of Concentrated Markets and Concentrated Wealth



Sources: Konczal and Lusiani 2022; Zucman, Piketty, and Saez 2022

1 The authors have chosen to use the very top-end (0.01 percent) wealth data as a proxy for billionaire wealth because it is narrow enough to provide a fair estimate of the uber-wealthy, but at the same time, is broad enough to capture the wider economic phenomenon of wealth concentration not just limited to the top 50 US billionaires featured later in the brief.

Surely many external factors have driven these parallel trend lines, including a generalized "hands-off," trickle-down economic philosophy that took root in the 1980s and ceded power away from democratically elected government toward boardrooms and corporate C-suites. Yet this remarkable correlation between corporate concentration and wealth concentration has begun to attract more attention. Since our October 2022 essay, recent research by Oxfam (Riddell et al. 2024) and the Balanced Economy Project (Shaxson and Godfrey 2024) brought the link between billionaire wealth and market power to global audiences, and the Institute for Policy Studies showcased the increasing stock market concentration amongst the ultra-wealthy (Collins 2024). Renowned media figures are also increasingly turning their attention to these connections. Earlier this year, a *Fortune* headline proclaimed, "The running of the bulls in 2023 was more like the waddle of the fat cats" (Ivanova 2024). And prominent *Financial Times* columnist Gillian Tett argued that the record-high concentration of equity ownership amongst the uber-wealthy "challenge[s] America's self-image [as a] financial democracy" (Tett 2024).

What are we to make of the dual rise of market power and wealth concentration in the US? Are these independent trends? Is there a relationship between the rapid accumulation of wealth by the very top households in the US, and an increasingly consolidated set of dominant corporations controlling markets in the US? What are the contours and direction of the connection between market dominance by a few firms and wealth concentration by a few individuals? And how might this dynamic change our understanding of wealth inequality and market power?

II. CONCENTRATED MARKETS AND CONCENTRATED OWNERSHIP

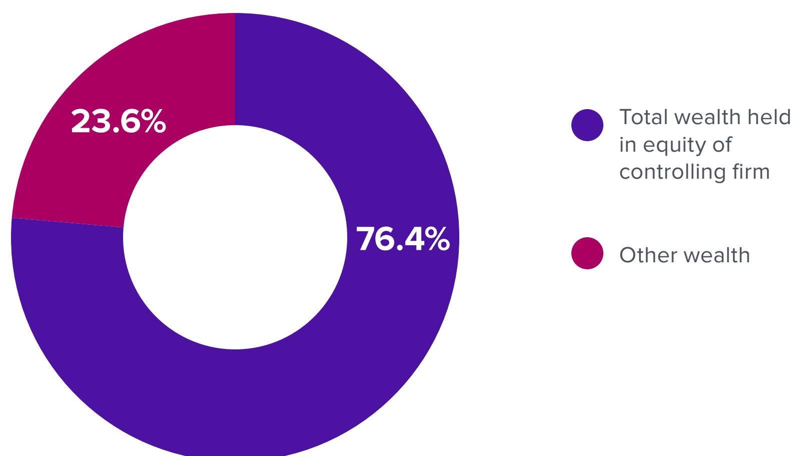
BILLIONAIRES' WEALTH IN THE US TODAY IS OVERWHELMINGLY DERIVED FROM EQUITY SHARES IN THE COMPANIES THEY CONTROL

To understand how US billionaire wealth today relates to monopoly concentration, we start with some information on the source of wealth of America's top billionaires. The list of the top 50 wealthiest Americans contains many titans of the information age—often simultaneously the founders, CEOs, and board chairs of some of the globe's most profitable firms like Amazon, Microsoft, Facebook, Berkshire Hathaway, Google, and Tesla. These are (almost universally) white men[2] who sit at the top of the corporate food chain. Together, these 50 individuals control over $2.6 trillion in wealth. Importantly, their accumulation of wealth

2 Of the top 50 US billionaires listed in Bloomberg's Billionaires Index, only eight (or 16 percent) are women, and only three (or 6 percent) are people of color.

is derived primarily from the growth of stock of the companies over which they have significant power. According to our estimates using the [Bloomberg Billionaire Index](), over 75 percent of the wealth of the top 50 American billionaires is held in the equity shares of the companies over which they have—or had—significant power (see Annex A).

Figure 2.
Share of Personal Wealth of the Top 50 Billionaires Held in Stock of Controlling Firm



But even that average billionaire equity share belies the degree to which the wealth of many of America's billionaires is derived from their publicly traded corporations and the power that these businesses concentrate. Warren Buffet—board chair, CEO, and the largest shareholder in Berkshire Hathaway—holds 99 percent of his wealth in his company's stock. Mark Zuckerberg—who reigns over Meta—holds 96 percent of his wealth in company stock. And Jeff Bezos—founder, once-CEO, and board chair at Amazon—holds 85 percent of his wealth in Amazon equity. Even Bill Gates—whose wealth is relatively more diversified today and who holds much less effective control over the giant tech company he founded, Microsoft—became one of the top wealthiest people in the US through his shares in the company while he was CEO. This all illustrates a key point about wealth concentration in the US today: The central source of wealth for America's top billionaires is growth in the value of their own corporations' equity. So, to what might we attribute the spike in share value of these particular firms?

CONSOLIDATION OF MARKET POWER FUELS SOARING STOCK PRICE OF BILLIONAIRES' CORPORATIONS

Looking more closely at the corporations from which the top 50 US billionaires derive their wealth, we see a remarkable pattern: Company after company exhibits business models centered on expanding market power and increasingly capturing key economic chokepoints. To understand market power per firm, we consulted the financial analyst Morningstar's Moat Index, a widely used resource in capital markets that rates publicly traded corporations for their ability to fend off competition and capture excess returns—or

rents—consistently over time.[3] No-moat companies are unlikely to gain significant market share in ways that enable them to gain excess returns. Narrow-moat companies are those that the financial analysts believe are likely to achieve excess returns through capturing markets for the next 10 years, while wide-moat companies are expected to do so over the next 20 years. These ratings provide a valuable resource for understanding how shareholders and financial analysts perceive the likelihood of companies continuing to consolidate markets, with the explicit assumption that those firms that can capture rents over time have higher intrinsic value and thus will experience higher stock prices.

Of the 28 publicly held billionaire-owned companies with available data, 27 enjoy an economic moat, meaning that financial analysts see them as able to net excess profits well into the future by holding off competition. Most of the billionaire firms for which we have data (18 of the 28, or 64 percent) enjoy a wide economic moat, and so, according to analysts, are likely to produce rents for the next 20 years—providing a fundamental source of equity and wealth growth for their owners. These financial analysts, in other words, believe that the publicly traded billionaire firms in this sample will enjoy significant and lasting market power, and the returns that come with it, for the next two decades.

A number of factors contribute to stock appreciation (and thus to the wealth of the firms' major shareholders). But financial analysts agree that the most fundamental driver is real and expected earnings: that is, profitability projections. Companies with more market power have more opportunity to increase profitability into the future, and thus are valued higher by financial analysts and stock pickers. America's wealthiest households thus derive much of their fortunes from their holdings in the companies that are able to charge monopoly rents and whose business models rely on building "moats" against competition by killing or swallowing potential challengers.

These findings are also reflected in recent empirical research that found that across US publicly listed companies since 1950, on average, the rise of market power contributes to about half of the increase in CEO compensation. For the very top-paid CEOs (among them, many of the top US 50 billionaires), the economists found that market power drives a remarkable 80 percent of their financial rewards (Bao, De Loecker, and Eeckhout 2022).

Monopoly and wealth inequality are thus inextricably linked in America today. Monopolization in many ways fuels wealth accumulation at the top. This relationship becomes even more apparent when considering who controls the business decisions of today's monopolies.

CONCENTRATED OWNERSHIP, CORPORATE GOVERNANCE FAILURES, AND THE REBIRTH OF THE BILLIONAIRE "BLOCKHOLDERS"

We've established above that the lion's share of billionaire wealth in the US today derives from the upsurge in equity value generated by excess market power of the firms in which these same billionaires own vast amounts of shares. American billionaire wealth today is in large part derived from the capacity to

3 Morningstar identifies five sources of moat: intangible assets, switching costs, network effect, cost advantage, and efficient scale. Notably, Morningstar is only one of a plethora of capital markets analysts and investors, including Warren Buffet and GMO's Jeremy Grantham, who incorporate data on market power into their equity pricing models. For a summary, see Wu 2020. Recent academic literature on evidencing the link between market concentration and heightened equity returns include Eggertsson, Robbins, and Wold 2018 and Bennett and Dam 2019.

monopolize markets. However, this doesn't say much about the effective power these individual billionaires wield over the operations of the corporations themselves. Control over corporate decision-making—as structured by corporate law and governance—has enormous consequences for the broader economy (Palladino 2019a). Who's hired or fired; what taxes are paid and investments made, if any; which public policies are driven through legislatures and which are blocked; how many firms merge and how many new entrants can grow: These and so many essential factors in our economic life are determined by the few individuals controlling the country's largest corporations. So, understanding *who* calls the shots in any given C-suite—and what their incentives and motivations are—is critical to understanding the overall business strategies companies take, including their approach to monopolistic behavior.

Today's US corporate governance system sits upon a bed of false assumptions that can obfuscate the power individual billionaires actually have over corporate decision-making. As conceived in the early 20th century and still in textbooks today, students of corporate law are taught that a diffuse set of shareholders are the ultimate owners of the corporation (the "principals"). These shareholders delineate responsibilities to a board of directors to monitor management in the interests of the shareholders. In turn, management (such as CEOs or other senior executives) are then mere "agents" of the shareholders (Monks and Minow 2011). With ownership in the form of shareholding separate from control in the form of management (Berle and Means 1932),[4] the underlying idea of this arrangement was that the agent-principal binary would create a series of checks and balances to prevent either shareholders or management from becoming too powerful in essential decisions of the corporation. This included key strategic decisions about acquiring competitors. Faulty as these assumptions may be in practice, this model of "shareholder capitalism" continues to dictate who has corporate decision-making rights, over whom, and to what end; in other words, it frames the incentive structure within which people operate in corporate C-suites (Palladino 2019b). This model for understanding corporate behavior is out of touch with reality in many respects, but especially so for billionaire-owned companies.

Simply put, any checks and balances that could govern corporate behavior within the firm are mostly absent in those companies controlled by the top 50 US billionaires. This is because many of these individuals often hold simultaneous roles as CEO, board chair, and main "blockholder." An individual or institution owning over 5 percent of shares in a firm is generally considered a 'blockholder," with unique leverage over their corporations (Edmans 2014). Because ownership of shares in major companies is generally diffuse across a large number of individuals, blockholders with concentrated equity stakes have tremendous power to exert their singular voices to compel companies to act as they'd like them to. This is especially the case for CEOs granted special voting rights over and above other shareholders. The "Great Reconcentration" of stock ownership thus makes it more likely that corporate decisions are made in pursuit of the personal interests of those holding the concentrated shares. The Big 4 asset managers (Blackrock, State Street, Vanguard, and Fidelity) own significant equity stakes in US corporations. On average, these asset managers own around 10 percent of all US stocks (as of 2021) (Braun 2021)—so could certainly be considered power brokers. Yet unlike individual blockholders whose unique self-interest is clear, these asset manager institutions serve the interests of a number of different players and so often are less single-minded or assertive in driving company decision-making. According to one expert, asset managers are "diversified and distracted," (Braun 2021) and therefore not as interested in governing the affairs of individual companies.

4 Berle and Means (1932, 8) described the change during the early New Deal as a real step-change from earlier forms of capitalism with "the dissolution of the old atom of ownership into its component parts, control and beneficial ownership.".

By contrast, the top 50 billionaires are anything but distracted and diversified. Looking at the equity stakes these individuals control in their own companies reveals a remarkable pattern. These individuals' portfolios are characterized by both concentrated stock ownership and strong blockholder control that they exercise directly as owner-managers. On average, over one-third of the outstanding shares of the public firms controlled by the top 50 US billionaires are owned by those same billionaires (Annex A). Buffet and Zuckerberg both have a very powerful 10 percent controlling interest in the companies they manage. They also hold special voting rights that allow them to silence other shareholders (Lauricella and Norton 2021). The three original Walton heirs—even if they don't directly manage the company—together own over a third of Walmart stock, providing them immense leverage. And that's on the lower end of the blockholder spectrum. Larry Ellison—chair of the Oracle board—alone owns 42 percent of the company's stock, and Dan Gilbert owns 70 percent of Rocket Companies.

This situation is eerily similar to the end of the 19th century, during which time corporate America was largely owned and controlled by a handful of corporations, in turn owned and controlled by a "blockholder oligarchy" of figures such as J.P. Morgan, Andrew Carnegie, and John D. Rockefeller (Shinn and Gourevitch 2005). What really stood out about that period—as today—was that these major figures played the simultaneous roles of CEO, board chair, and largest shareholder. This corporate governance system was characterized by concentrated stock ownership and strong control, exercised directly by owner-managers (Braun 2021), as it is for many of the titans of corporate America today. Any semblance of checks and balances that once may have existed between shareholders and managers has now collapsed for America's dominant corporations, whose owner-manager-board chairs can almost unilaterally decide the direction of their company, especially on strategic matters such as mergers and acquisitions.

In the US today, control and beneficial ownership of the most dominant firms have once again fused in the form of manager-blockholders who are simultaneously CEO, board chair, and largest shareholder. This narrowing of ownership and effective control to one individual blockholder—simultaneously principal and agent—poses significant challenges to the types of "checks and balances" that standard models of shareholder capitalism (and corporate law more generally) assume. Further, billionaire portfolios being so concentrated in the single companies they control gives these individuals a strong personal stake in the fortunes of their corporate empires.

Generally speaking, the larger the ownership stake of an individual billionaire in their own company, the greater incentive they have to increase firm value by, among other things, capturing market share. In this way, individual personal financial motives align with the means of controlling the firm, explaining the drive to consolidate market power. That is, the personal financial motivations of America's top billionaires come together with their means as central corporate decision-makers (as both "agent" and "principal," in many cases with little effective board accountability) to use their leverage to extract economic rents through capturing market share and dominating competitors. The ability of billionaires' companies to capture rents (and thus hike profitability, share prices, and their personal wealth) may be a central factor driving decision-making of these corporate leaders.

In sum, we contend that adequately addressing top-end wealth inequality in the US today is aided by understanding the central role of shareholder-first, monopolistic firms in driving US billionaire wealth. Correspondingly, a clear-eyed assessment of the personal, financial motivations of the most influential individual blockholders driving corporate decision-making would support efforts to tackle corporate concentration.

III. TAX TOOLS TO TACKLE THE TWIN HARMS OF EXCESS WEALTH CONCENTRATION AND EXCESS MARKET CONCENTRATION

Tax policy interventions—alongside necessary reforms to corporate law and rigorous antitrust enforcement—are well-suited tools for the twin aims of unwinding both extreme concentration of equity wealth and today's exceedingly concentrated market structure. Tax policy has a variety of simultaneous functions, including raising revenue, redistributing economic gains, repricing market failures, regulating harmful economic activity, and enhancing civic engagement and representation (DiVito and Lusiani 2024). Arguably, any individual tax provision—if designed right—can accomplish a few of these goals at once. In this section, we explore a number of reforms to the corporate and personal tax code that—amongst other things—might help curb harmful market concentration. More in-depth research is needed on the effects of these tax tools in shaping the behavior of today's monopolistic firms, but we hope these ideas provide a useful jumping-off point.

CORPORATE INCOME TAXATION

The majority of America's top billionaire-controlled businesses are publicly traded C-corporations, and thus subject to federal corporate income tax. Recent evidence suggests that the US federal tax code systematically privileges those companies with the highest profit shares—a good indicator of market power (Hager and Baines 2023). Three particular reforms jump out as potentially useful levers to reducing the market power of these firms: increasing the enforcement capacity of the Internal Revenue Service (IRS), taxing stock buybacks at a much higher rate, and returning to a graduated corporate tax rate structure.

To start, the federal corporate tax code is enforced in a very unequal manner. Compared to smaller competitors, highly profitable corporate incumbents—with specialized multi-jurisdictional tax teams—have more of the means and more of the motive to intimidate tax authorities into allowing them to pay less in taxes. As a result of this and other factors, the corporate tax base has dropped continually for decades, as tax avoidance by the largest corporate taxpayers has increased. Truly equal tax enforcement across businesses will require radically revamping the capacity of the IRS, especially to target large corporate taxpayers. Some of this work has begun thanks to the funding provided by the Inflation Reduction Act (IRA) (IRS 2023). But more funding and much more political will is needed to ensure a level tax playing field.

Second, the almost unlimited ability of corporations to buy back their own shares—at the quantity and timing of their choice—has been a major driver of stock price appreciation (Palladino and Lazonick 2022). As much as 40 percent of share growth in recent years derives from corporations buying their own stock rather than company fundamentals such as earnings, according to financial analysis (Roberts 2021; Garrib 2021). Many of the firms engaging in the largest stock repurchases, such as Alphabet, Meta, and Microsoft (Di Pizio 2023), are also those controlled by the country's top 50 billionaires. In this sense, share repurchase behavior by major corporations is an important lever driving wealth concentration among many top US billionaires. The IRA instituted a 1 percent excise tax on stock repurchases with the aim of reducing the tax advantages of buybacks (Rosenthal and Brosy 2023) while encouraging large publicly traded corporations to use any excess cash on economically productive investments rather than repurchasing their own stock. This low rate has raised some revenue, but has not yet proven to have enough bite to change buyback behavior (Hughes 2023). The central aim of this provision is to curb the manipulative behavior of open market buybacks; optimizing it toward this purpose would therefore require increasing the rate of buyback excise tax significantly, well beyond the 4 percent rate proposed by President Biden (White House 2023).

Third, the Tax Cuts and Jobs Act installed a flat corporate income tax rate. While neutral between small and larger firms on the surface, in practice this flat rate provides distinct competitive advantages to large multinational corporations with above-normal returns. As tax scholars have reminded us, the corporate tax has two major goals beyond raising revenue: taxing the capital income that overwhelmingly flows to the wealthiest households and would otherwise go largely untaxed, and taxing the economic resources available to corporate managers and billionaire blockholders, thereby reducing their ability to engage in harmful activities, such as anticompetitive and monopolistic practices (Avi-Yonah 2004). From 1935 to 2017, in fact, the corporate tax rate was graduated, and it meant that larger, more powerful corporations with greater ability to pay faced marginally higher rates than smaller businesses (Avi-Yonah, DiVito, and Lusiani 2024). Returning to a graduated corporate tax rate–with a much higher rate at the top end–could help tilt the tax playing field against rent-seeking, high-profit companies relative to their rivals, improve the competitive environment, and reduce the returns to excess profits driven by monopolistic practices (Clausing 2023; Avi-Yonah 2021).

PERSONAL INCOME AND WEALTH TAXATION

A central case for taxing the ultra-wealthy, especially the top US billionaires, is to raise revenue to fund public investments while simultaneously reducing wealth concentration. Many argue that because wealth inequality degrades democracy, effectively taxing the top can restore a sense of shared sacrifice across the general public, and thereby strengthen public trust in a democratic polity (see, for example, Bearer-Friend and Williamson 2022; Glogower 2018; Wallace 2023). Seen as fundamentally fair and highly targeted, the idea of more effectively taxing the country's wealthiest has broad public support across the political spectrum (Bhatt 2023; Newport 2022).

Some proponents have also argued that taxing the economic power of America's uber-affluent will have beneficial effects on our economy. Atif Mian has argued that the "secular stagnation" our economy experiences today could be alleviated through taxing wealth (Mian, Straub, and Sufi 2021). Scholars have also made the case that taxing wealth could shift the tax burden toward unproductive entrepreneurs and away from unproductive ones, thus improving overall economic outcomes (Guvenen et al. 2022). And more

generally, reducing economic inequality at the top among households that have the luxury to save, while redistributing gains to lower-income households that have a higher propensity to save, would boost overall demand and shared growth (Bivens and Banerjee 2022).

High levels of market power in the US have also been found to decrease productivity, investment, long-term productivity, and thus overall economic growth (Clausing 2023). The question of how taxing the income and/or wealth of America's top billionaires would shape market structure—and in particular the business decisions within America's top monopolies—remains very under-explored. In the spirit of provoking more in-depth studies into this question, we offer some initial reflections on how the leading proposals for taxing billionaire income and wealth might affect market concentration.

Recent proposals to more effectively tax the ultra-wealthy—including America's top 50 billionaires—fall loosely into two categories: proposals to tax the *stock* of wealth and proposals to tax the *growth* in wealth (the latter is sometimes synonymous with better taxing capital income). A typical wealth tax is a tax—so far usually proposed at a rate between 1 and 8 percent—on the underlying value of the overall *stock* of the assets that make up the vast majority of billionaires' holdings, including real estate, cash, stocks and bonds, and certain business assets (Zucman, Piketty, and Saez 2022; Gamage et al. 2021). This entire stock of wealth of a certain subset of uber-wealthy households would be subject to this tax each year.

Unlike a tax on the *stock* of wealth, mark-to-market style accrual taxes target the *growth* of wealth by levying an annual tax on the change in the value of a high-net worth individual's stock, dividends, and other tradable assets—assets that largely go untaxed in the current US system until a realization event, like a sale, occurs. President Biden's 2022 proposal to tax billionaires' incomes was the latest manifestation of this tax idea (White House 2022). Both forms of taxing the ultra-wealthy are highly progressive and would fall exclusively on the uber-wealthy, especially the top US billionaires discussed in this brief, who escape paying their fair share under the status quo.

So, how would taxing the stock or growth of wealth of individual billionaire blockholders affect firm decisions around mergers and acquisitions, and the firms' competitive stance more generally? In light of the unique nature of US billionaire blockholders described above, taxing the wealth generated from equity appreciation could disincentivize outsized market power in at least two ways: the incentive effect and the liquidity effect.

First, the higher the effective tax rate on capital gains, the less a billionaire blockholder would gain from monopoly-fueled share appreciation, and thus the less financial incentive these individuals would have to direct their companies into monopolistic practices. Recent research on top-end income tax, for example, found that the high top income tax rates in the US in the aftermath of WWII were, in fact, useful in placing a brake on rent extraction among top earners (Piketty, Saez, and Stantcheva 2014). This was because the net benefit for highly paid executives to continue to seek larger pay was blunted, if not eradicated. It wasn't until top personal income tax rates dropped–and executive compensation was tied to stock performance–that these executives started bargaining more aggressively to hike their pay. Today's top billionaires' wealth does not amass economic power from wage income but from asset appreciation of the companies they control. Hence, billionaire bargaining power over compensation[5] plays out in their ability to manipulate or otherwise

5 Importantly, American billionaires who play simultaneous roles of CEO, board chair, and blockholder—in particular in firms with high rents—have many more opportunities to set their own pay than traditional corporate management. This is because they have arguably more control over the levers of stock appreciation—levers that don't pose a cost to the firm, to other shareholders, or to workers in the same way labor income does.

affect stock price in a variety of ways. A central lever is through capturing market power to sustainably extract excess profits. Either a wealth tax or a billionaire income tax could be seen to decrease the net benefit of this form of rent-seeking, while the absence of said tax leaves the wealthiest with a very strong incentive to seek even further excess returns through their control over their dominant firms.

Second, given how concentrated the top 50 billionaires' wealth is in their own companies, either a wealth tax or a mark-to-market annual accrual tax would have a sizable effect on their tax liability, primarily through decreasing the amount of capital gains they would obtain from the appreciation of the stock they own. A higher-rate wealth or accrual tax may present liquidity challenges for some billionaires, who would have to make decisions on how to come up with the cash to cover their tax liability. Some billionaires could, and probably would, engage in borrowing to cover the new tax dues. Some also might choose to direct their companies to increase dividend payouts to recoup some cash to pay the tax, as seemed to have happened in closely held firms in Europe (Barroso, N'Gatta, and Ormazabal 2023). Some billionaire blockholders may choose to sell some of their stock. Liquidity challenges have often been posed as a barrier to taxing the ultra-wealthy, but in this context, it could be thought of as a redeeming feature. Billionaires selling stock would decrease their relative control of these companies—thereby diversifying the equity ownership of those firms, making the stakes less concentrated in one individual. This could have the effect of reducing the extraordinary personal incentives billionaire blockholders today have in steering their businesses toward monopolistic and anticompetitive practices. However, more research is certainly needed in this area.

CONCLUSION

An economy with this much concentrated power in the hands of so few is profoundly broken. Efforts to rewrite our tax code are crucial tools toward reversing America's 50-year democratic decline and upsurge in dynastic wealth. We can address both the uber-wealthy's paltry amount of tax liability alongside its economic driver: shareholder primacy business models and the resulting unprecedented levels of corporate concentration.

The tax tools described above could disincentivize the hoarding of market power by decreasing the intensely concentrated personal returns of the individuals controlling the business strategies of some of the country's most dominant firms. Importantly, in the US context in particular, more assertive antitrust enforcement and root-and-branch changes to corporate law (Palladino and Karlsson 2018) are needed in tandem to break down the hoarding of market power by today's dominant firms, diminish the economic power of today's billionaires, prevent further concentrated wealth accumulation, and help reduce racial wealth gaps. While the market power effect of taxing the ultra-wealthy in the US is necessarily tied up in the specific design choices brought to bear, the time has come to dig deeper into how the US tax code and its enforcement can dent the personal financial incentives top billionaire blockholders have to capture the rents that emerge from corporate consolidation.

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ANNEX A: TOP 50 US BILLIONAIRE WEALTH, CORPORATE CONTROL, AND MARKET POWER

Data as of January 2024

Rank	Name	Primary Controlling Firm	Total Wealth (Billions)	Total Value of Equity in Controlling Firm (Billions)	Share of Personal Wealth in Stock of Controlling Firm	Share of Stock Owned in Controlling Firm	Market Power Ratings (Morningstar Moat Index)	Notes
1	Elon Musk	Tesla, Space X, Twitter	221	159.5	72.17%	45%	Tesla: Narrow-stable; no Morningside rating available for other privately-held firms	Musk owns 42% of Space X, 13% of Tesla, and 79% of Twitter. *Share of stock owned in controlling firm represents the average between his stakes in these three companies.
2	Jeff Bezos	Amazon	174	147	84.48%	10%	Wide-stable	Former CEO, current Executive Chair of the Board of Amazon.
3	Bill Gates	Microsoft	139	24	17.27%	1.40%	Wide-stable	Ex-CEO, no board seat.
4	Steve Ballmer	Microsoft	130	120	92.31%	4%	Wide-stable	Ex-CEO, no board seat.
5	Mark Zuckerberg	Meta Platforms	130	125	96.15%	13%	Wide-stable	Founder, current CEO and chairman of the board
6	Larry Page	Alphabet	126	108.8	86.35%	6%	Wide-stable	Co-founder of Google, current board member, and former CEO
7	Warren Buffet	Berkshire Hathaway	123	122	99.19%	38%	Wide-stable	Current Chairman and largest shareholder. Owns 37.9% of Class A shares and less than 0.001% of Class B shares.
8	Larry Ellison	Oracle	121	87.8	72.56%	42%	Narrow-negative	Founder, former CEO, current Executive Chairman of the Board and Chief Technology Officer, largest shareholder
9	Sergey Brin	Alphabet	119	102.4	86.05%	6%	Wide-stable	Co-founder, curent board member
10	Michael Dell	Dell Technologies	78	30	38.46%	50%	None	Founder, CEO and Chairman of the Board
11	Jim Walton	Walmart	73	50	68.49%	12%	Wide-stable	Co-Manages Walton Enterprises

Rank	Name	Primary Controlling Firm	Total Wealth (Billions)	Total Value of Equity in Controlling Firm (Billions)	Share of Personal Wealth in Stock of Controlling Firm	Share of Stock Owned in Controlling Firm	Market Power Ratings (Morningstar Moat Index)	Notes
12	Rob Walton	Walmart	71	49	69.01%	12%	Wide-stable	Former Chairman of Walmart, Co-Owns Walton Enterprises
13	Alice Walton	Walmart	70	50	71.43%	12%	Wide-stable	Co-Manages Walton Enterprises
14	Julia Flesher Koch & family	Koch Industries	66	64.3	97.42%	42%	Private	
15	Charles Koch	Koch Industries	62	60.4	97.42%	38%	Private	Current Chairman and Chief Executive Officer.
16	Jacqueline Mars	Mars Inc.	47	53	100.00%	33%	Private	Holds no position, total wealth held is less than the equity in the company because of debt obligations
17	John Mars	Mars Inc.	47	53	100.00%	33%	Private	Current chairman, total wealth held is less than the equity in the company because of debt obligations
18	Jensen Huang	Nvidia	46	45	97.83%	4%	Wide-positive	Co-founder, President, and CEO
19	Phil Knight & family	Nike	41	32	78.05%	20%	Wide-stable	Founder, Former CEO and chairman emeritus of the Board, largest shareholder
20	Len Blavatnik	Warner Music Group	41	13	31.71%	73%	Narrow-stable	Vice Chairman of the Board of Warner Music Group
21	Stephen Schwarzman	Blackstone Group	40	28	70.00%	19%	Narrow-stable	Co-Founder, CEO, Chairman of the Board and largest shareholder of Blackstone Group
22	Ken Griffin	Citadel Securities	36	35.73	99.25%	85%	Private	Founder, CEO and Co-Chief Investment Office of the hedge fund Citadel. [Value represents sum of Citadel Securities (16.9b), Investments in Citadel (9b) and Citadel Advisors (9.83b)]
23	Abigail Johnson	FMR Fidelity Investments	36	30.6	85.00%	33%	Private	Chairman, President and CEO; third generation of Johnsons to control Fidelity.
24	Miriam Adelson	Las Vegas Sands	35	20	57.14%	57%	Narrow-stable	Widow of founder and Chairman of Casino Group
25	MacKenzie Scott	Amazon	35	34	97.14%	2%	Wide-stable	Former spouse of Jeff Bezos.

Rank	Name	Primary Controlling Firm	Total Wealth (Billions)	Total Value of Equity in Controlling Firm (Billions)	Share of Personal Wealth in Stock of Controlling Firm	Share of Stock Owned in Controlling Firm	Market Power Ratings (Morningstar Moat Index)	Notes
26	Jeff Yass	Susquehanna International Group & ByteDance/ TikTok	29	12	41.38%	51%	Private	Co-Founder of Susquehanna, Current majority shareholder. Percentage of shares owned represents his ownership in Susquehanna (51%), the firm in which he has the greatest ownership stake. Has a minority ownership stake (15%) in TikTok parent company Byte Dance. Sum represents Susquehanna stake (3.05b) and ByteDance stake (17.2b)
27	James Simons	Renaissance Technologies / Medallion Fund	29	10	34.48%	38%	Private	Founder and Chairman of the Board of Renaissance Technologies. Only percent-range described as top end of the 25-49.9% range disclosed in SEC filings. The figure in percent of shares owned in firm represents the median of the range disclosed.
28	Eric Schmidt	Alphabet	28	20.63	73.68%	1%	Wide-stable	Former CEO of Google
29	Dan Gilbert	Rocket Companies	28	18	64.29%	70%	Narrow-stable	Co-founder, Chairman and CEO, majority shareholder
30	Thomas Peterffy	Interactive Brokers	27	25	92.59%	91%	Narrow-stable	Founder and Chairman of the Board, majority shareholder
31	Lukas Walton	Walmart	26	16	61.54%	4%	Wide-stable	Only child of John T. Walton, second son of Sam Walton. No management position.
32	Thomas Frist	HCA Healthcare	25	20	80.00%	26%	Narrow-stable	Co-founder and majority shareholder; sons are board members
33	Elaine Marshall	Koch Industries	25	22	88.00%	15%	Private	Board member
34	John Menard	Menards	20	20	100.00%	89%	Private	Founder, CEO, President and majority shareholder
35	Dustin Moskovitz	Meta Platforms	20	12	60.00%	1%	Wide-stable	Co-founder of Meta Platforms
36	Leonard Lauder	Estee Lauder	19	11	57.89%	Not disclosed	Wide-stable	Chairman Emeritus of the Board
37	David Tepper	Appaloosa Management	19	11	57.89%	75%	Private	Founder and President, majority shareholder
38	Stan Kroenke	Kroenke Sports & Entertainment	18	17.8	98.89%	Not disclosed	Private	Founder, chairman, CEO and majority shareholder

Rank	Name	Primary Controlling Firm	Total Wealth (Billions)	Total Value of Equity in Controlling Firm (Billions)	Share of Personal Wealth in Stock of Controlling Firm	Share of Stock Owned in Controlling Firm	Market Power Ratings (Morningstar Moat Index)	Notes
39	Ray Dalio	Bridgewater Associates	17	7	41.18%	49%	Private	Founder, former CEO, CIO and Chairman
40	Donald Bren	Irvine Company	17	20	100.00%	Not disclosed	Private	Chairman; Total wealth held is less than the equity in the company because of debt obligations
41	Dave Duffield	Workday	16	12	75.00%	20%	Wide-stable	Co-founder, Chairman Emeritus and largest shareholder
42	Harold Hamm	Continental Resources	16	23	100.00%	83%	Private	Chairman of the Board [Majority shareholder equity held exceeds total wealth, because of debt obligations.]
43	Donald Newhouse	Charter Communications	16	4	25.00%	Not disclosed	Narrow-stable	Owns 8% of Warner Bros. Discovery. Current president of Advance Publications (AP) which owns Conde Nast
44	Jan Koum	WhatsApp	15	0	0.00%	0.00%	Sold all WhatApp/Meta shares. Meta score: Wide-stable	Co-Founder and former CEO of WhatsApp
45	John Tu	Kingston Technology	15	14	93.33%	50%	Private	Co-founder and President
46	David Sum	Kingston Technology	15	14	93.33%	50%	Private	Co-founder and COO
47	Phillip Anschutz	Anschutz Corp.	15	3	20.00%	Not disclosed	Private	Because Anschutz Corp is a closely held conglomerate, percentages were not disclosed
48	Steven A. Cohen	Point72 Asset Management	14	10	71.43%	Not disclosed	Private	Chairman, CEO and President
49	Judy Love	Love's Travel Stops & Country Stores	14	14	100.00%	100%	Private	Co-founder, sons are co-CEOs
50	George Kaiser	Kaiser-Francis Oil	14	9	64.29%	100%	Private	Sole owner

Sources:

Bloomberg Billionaire Index, figures in USD billions. Last consulted January 9, 2024, https://www.bloomberg.com/billionaires/

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ANNEX B: METHODOLOGY

The quantitative analysis segment of this brief uses a mixed methods approach, relying on different methodologies and datasets to answer different research questions.

To understand the parallel growth of top-end wealth concentration and market power of US corporations (as expressed in Figure 1), we drew on two recent studies. For wealth concentration, the study incorporated top 0.01 percent household wealth share data from Zucman, Piketty, and Saez (2022). Corporate markups data was used as a proxy for market concentration, and the study relied on Konczal and Lusiani (2022) for this data.

To understand more specifically the amount and source of wealth of the top 50 US billionaires, we used the Bloomberg Billionaire Index to isolate the share of each individual's wealth attributable to equity in the firm or firms these same individuals have, or had, significant power over. These individual equity shares were then aggregated to discover the average equity share that US top 50 billionaires held in the firms they control, as shown in Figure 2.

To understand the market power of the corporations that form the basis of these billionaires' wealth, the authors consulted the financial analyst Morningstar's Moat Index, a widely used and frequently updated resource in capital markets that rates publicly traded corporations for their ability to fend off competition and capture excess returns, or rents, sustainably over time. These ratings provide a valuable resource for understanding how shareholders and financial analysts perceive the likelihood of companies continuing to consolidate markets, with the explicit assumption that those firms that can capture rents over time have higher intrinsic value and thus will experience higher stock prices. While the Morningstar Equity Research Methodology note dates back to 2017 (Morningstar 2017), the Moat Index itself was last consulted on January 9, 2024.

To determine the degree to which top 50 billionaires effectively control their corporations as blockholders, we used the Bloomberg Billionaire Index, which provides frequently updated information on the share of company stock owned by particular individuals.

ABOUT THE AUTHORS

Niko Lusiani is director of the Roosevelt Institute's corporate power program, where he works to dissect and dismantle the ways in which extractive corporate behavior jeopardizes workers, consumers, our natural environment, and our shared economic system. Lusiani develops cutting-edge research exploring the mechanisms by which firms, executives, and shareholders have gained, retained, and wield outsized power in our economy and politics, while also teeing up policies to promote shared prosperity and reclaim power for workers and the public by curbing corporate power. His work has been featured in the *Financial Times*, *LA Times*, *Washington Post*, *Capitol Forum*, and *Tax Notes*.

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