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What People Really Think About The Wealthy – An Interview With Rainer Zitelmann

Joe Reilly, June 26, 2020

FWR recently interviewed the author of a new book examining what the public think about wealthy individuals in the US, Europe and other places. The study has brought up some arguably uncomfortable truths about attitudes about money, entrepreneurship and transfer. In the current climate, such insights are particularly apposite.

Family office consultant and regular *Family Wealth Report* commentator Joe Reilly talks to Rainer Zitelmann, author of *The Rich in Public Opinion*. Zitelmann has commissioned studies in the UK, the US, France and Germany measuring public opinion about the wealthy. (See an article about his recent research and findings.)

Joe Reilly: What prompted you to research public opinion

about the wealthy?

Rainer Zitelmann: In my book The Wealth Elite, I conducted interviews with 45 rich people. I then had the idea of founding an institute for wealth research, based at a local university. The institute would conduct scientific research on how to become wealthy. But I couldn't find anyone who was interested in supporting the institute. Everyone said "I don't want to be involved in this topic." So for *The Rich in Public Opinion* study, I had to pay $140,000 for all the polls and media research. I can afford it, but I couldn't find any rich people who were interested.

People ask me why I would study the wealthy. Don't they already live comfortable lives? Of course, they have no material worries and are admired, but there is a flip side - envy and hostility.

I like to quote George Gilder, who writes in his work *Wealth and Poverty*:

"On every continent and in every epoch, the peoples who have excelled in creating wealth have been the victims of some of society's greatest brutalities. Recent history has seen, in Germany, the holocaust of Jews; in Russia, the pogroms of Kulaks and Jews; in northern Nigeria, the eviction and slaughter of tribesmen; in Indonesia, the killing of near a million overseas Chinese; in China itself, the Red Guard rampages against the productive; in Uganda, the massacre of whites and Indians; in Tanzania, their expropriation and expulsion; in Bangladesh, the murder and confinement of the Biharis. And as the seventies drew to a close, much of the human wealth and capital of both Cuba and Southeast Asia was relegated to the open seas. Everywhere the horrors and the bodies pile up, in the world's perennial struggle to rid itself of the menace of riches – of the shopkeepers, the bankers, the merchants, the traders, the entrepreneurs."

These are, of course, extreme examples. But even in countries that have not experienced such horrors, social envy and hatred of the rich still do harm to society as a whole. In Sweden in the 1970s, for example, a surge of anti-rich sentiment led to the introduction of extremely high taxes on Sweden's wealthiest citizens. Many rich people left Sweden as a result – including Ingvar Kamprad, the founder of the furniture manufacturer Ikea who emigrated to Switzerland and went on to become the richest man in Europe. During this period, Sweden's envy-driven tax policy seriously damaged the Swedish economy.

Joe Reilly: You also note how perceptions of the wealthy are very different between the UK and Germany.

Rainer Zitelmann: Yes, we calculated something we called the Social Envy Coefficient. We had to come up with this ourselves, because there are no other studies in this field. There are thousands of books about prejudices against other minority groups, but none about the wealthy. Not a single one. We measured the extent to which the survey's respondents would like to see desirable things taken away from others, despite the fact that they would be no better off themselves.

For example, a social envier would agree with a statement such as: "When I hear about a millionaire who made a risky business decision and lost a lot of money, I think it serves them right." Or: "I think it would be fair to increase taxes substantially for millionaires, even if I would not benefit from it personally". Or: "I would favor drastically reducing managers' salaries and redistributing the money evenly among the employees, even if that would mean that the employees would get only a few more dollars per month." Respondents were divided into enviers, ambivalents, and non-enviers depending on a series of responses to such questions.

The Social Envy Coefficient describes the relationship between enviers and non-enviers in any given country. The higher the number, the greater the envy toward the wealthy in that country. So, the highest number was in France, at 1.21, followed by Germany at 0.97. In the US (0.42) and the UK (0.37), the Social Envy Coefficient was lower. In the US, however, it is important to note that there are significant differences between younger and older respondents. For example, Americans under the age of 30 have a far more negative attitude toward the rich than do Americans over the age of 60.

Joe Reilly: Can you give us an example?

Rainer Zitelmann: Sure, we asked whether people agree or disagree with the following statement: "Rich people are good at earning money, but they are not usually decent people." Among Americans over the age of 60, only 15 per cent agreed and 50 per cent rejected the statement. Among Americans under the age of 30, the opposite was true: 40 per cent agreed and only 23 per cent disagreed. The differences between younger and older respondents were not only smaller in our survey's European countries, the tendency of respondents' answers was also exactly the opposite and the younger respondents had a slightly more positive attitude than did the older respondents.

Joe Reilly: What do you think wealthy people should teach their children?

Rainer Zitelmann: They should, of course, go to university, but there are other kinds of experiences that are much more important. In *The Wealth Elite*, I asked successful entrepreneurs how they did at school and university. Did they get good grades or bad grades? As it turns out, there was actually no correlation between their school grades and their later success in life. Some were good at school. Some were very bad, and some never even graduated from high school.

What was important for them is what in psychology is referred to as implicit learning. Explicit learning is book learning. Implicit learning, in contrast, is what you get from real life experience: intuition, gut feeling and street smarts. It is also interesting to note that, as young people, half of these outstanding entrepreneurs had been highly competitive athletes. They learned how to win, but more importantly, they also learned how to lose and how to deal with setbacks and crises. This is life experience - another example of implicit learning.

Moreover, most had very early entrepreneurial experiences, especially in sales. They were hugely creative and sold a diverse range of products. You find that many MBAs today have little experience in sales, unfortunately.

I would also highlight the fact that many of the self-made rich I spoke with became successful because they swim against the tide. And it's only logical: If you do what everyone else does, you will achieve the same outcomes as everyone else. Successful people are nonconformists, they take a position and stand their ground.

Finally, they have a singular approach to dealing with setbacks and crises. You have to be careful about blame. If something works well, people often take the credit. But if something doesn't pan out, they blame someone else or circumstances. They blame their school or their teacher, or later in life their boss or capitalist society. They blame external circumstances. The self-made, in contrast, took responsibility for both their successes and their failures. Even if the market took a turn in the wrong direction, they accepted that they were the ones who misjudged the situation.

If you give other people the blame, then you give them the power. If you blame yourself, then you have the power to fix it. So - encourage athletics and sales. Help them to develop street smarts, to be a nonconformist and not to think of themselves as victims.

Joe Reilly: What advice would you give to people who are advising the wealthy?

Rainer Zitelmann: First of all, be self-confident. I know a lot of family office advisors in Germany. They deal with the very rich people who, much like Donald Trump, think they know more about everything than everyone else. They think they know money. Wrong. They got rich, not because they understand money, but because they understand their specific business as an entrepreneur. But just because you have money, it doesn't mean you understand the investment world.

So tell them: If you think you know more than I do, you don't need a consultant. You can make your own decisions. If you want a sparring partner, then I am a good consultant. Not so long ago, I did a family office event. Many of the advisors I met told me stories about the families they work with. "They wanted the investment this way or that way, or they wanted to buy a building because they liked the look of it. I didn't think it was a good idea, but it was what they wanted. What should I have done?” I told them “Say no, let them go to someone else.” If they think they know best, they don’t actually need you at all.

Joe Reilly: You have had an interesting journey. You started out very left wing but ended up very pro-capitalism. Could you tell us about it?

Rainer Zitelmann: My father was a priest who thought money was a bad thing, that it was dirty. In college, I was essentially a Maoist and started a Maoist newspaper and educated students on Marxism and political economics. I disapproved of money, so it was only logical that I didn’t have any. If you don’t like money, then money won’t like you. Then, when I was in my late 30s, I had a transformational experience: I had just been speaking with a well-known German politician. He was a nonconformist, just like me. We both frequently get teased for our politically incorrect opinions. He said to me: “If we really want to get away with saying what we think, mavericks like you and I need to earn a lot of money.” That was important for me because his remark brought two things together for me: freedom, especially the freedom to have your own opinion, and money. That was a strong motive for me to get rich. I started my own real estate company, which was very successful, and I sold it in 2015. Now I have the money to focus on other things like research on successful entrepreneurs.

Joe Reilly: Do you think that the wealthy have a responsibility to society? Should they be philanthropic, even if simply from a sense of obligation?

Rainer Zitelmann: I have a great deal of admiration for someone like Bill Gates, who has achieved so much with his foundation. It's a great thing. But even so, there are two important points to bear in mind. Bill Gates' philanthropy doesn't in any way pacify rich haters and socialists – they still don't like Bill Gates. Some even think he created the coronavirus to make money. Our study shows that social enviers will always be convinced that the rich only donate money for selfish motives, for example to save taxes or to polish up their image.

Second, you very often hear the claim that rich people want to give something back to society. I don't like this expression at all: it implies that someone has stolen something. No one has stolen anything. Bill Gates didn't steal anything from poor people. Through Microsoft, he has given us so many life-changing products, including software such as MS Word and other incredible technological innovations. If people choose to do something for charity, that's great. But they don't have to.

But what happens if they don't? I know a billionaire who makes 100 to 200 million a year and uses about one million of that each year for personal spending. He invests the rest, which is also giving back to society. Purchasing shares in public companies, buying real estate and investing in private equity all contribute to society.

No one gets rich without giving something to society. Of course, we are not talking about people who get rich from the proceeds of fraud or other crimes. Most of the people on the *Forbes* list are entrepreneurs. They are self-made. You often hear that you cannot make money today that it is all inheritance, but that is wrong. The *Forbes 400* in 1985 was 48 per cent self-made and 52 per cent heirs. Today, 67 per cent are self-made. They are new people who have created new things. People such as Jeff Bezos (Amazon), Sergey Brin and Larry Page (Google), Mark Zuckerberg (Facebook) and Bill Gates (Microsoft) – none of whom got rich through inheritance or by taking anything away from others. No, they got rich on the back of great ideas.