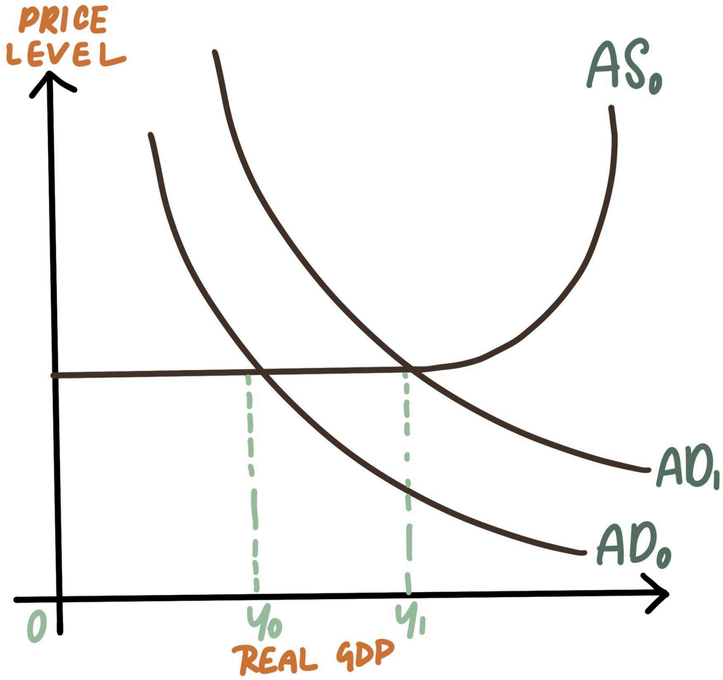
Do successful business people benefit others when making their money, when spending it, both, or neither?

"Success in business not only fuels personal wealth but ignites broader economic prosperity" (Smith, n.d.). This statement refers to the fact that businesses play an integral role in a country's economic growth through various means. Businesses, by the very virtue of generating wealth and profit, aid the economic growth of an economy through various dimensions. They increase employment as increased demand due to increases in disposable income leads to higher production. This benefits the economy positively.
These benefits can arise from prosocial spending by wealthy individuals or the incorporation of socially responsible practices within their businesses. After all, Integrating business and charitable giving can be synergistic, not necessarily conflicting. The impact of entrepreneurial activities is primarily based on the ethical values embedded in the work culture and the regulatory framework governing business practices. Stringent laws and regulations about corporate social responsibility (CSR) for instance, could prevent businesses from using their spending towards social betterment as a mere marketing gimmick. It is crucial to evaluate whether entrepreneurs and business people genuinely benefit society through their operational activities and philanthropic endeavors or if the impact of their actions is negligible.

Businesses are the epitome of injecting the economy with more employment opportunities and capital investments. A business entering new or existing markets with differentiated products creates employment, and this boost then leads to higher disposable incomes for households, thereby fostering an increase in consumer expenditure in the economy. This is known as the multiplier effect. This occurs when an initial rise in economic activity leads to a chain effect to increase the national income. For instance, when a business employs more workers and increases its production scale while increasing employment, other competing businesses would most likely do the same and increase their capacity to maintain their market share, injecting the economy further. This entire positive shift in jobs and, thereby, consumer expenditure would cause an increase in the Aggregate Demand (AD) and a change to the right in its graph as shown below.

AS0: Original Aggregate Supply
AD0: Original Aggregate Demand
AD1: New Aggregate Demand
Y0: Original Real GDP
Y1: New Real GDP

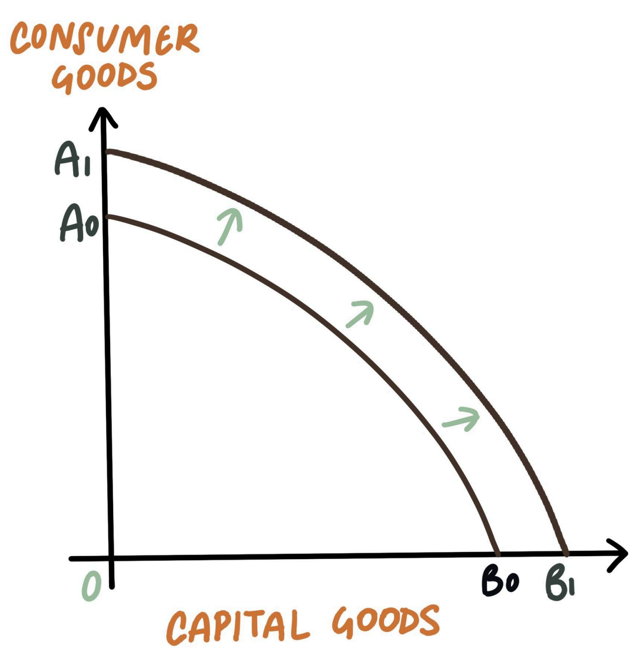


Indeed, this benefits society significantly as the increase in disposable income will also increase households' purchasing power and living standards. Which in turn is very likely to foster an increase in literacy and training that would reduce crime rates and increase economic development in the long term. However, in the long term, if the Aggregate Supply (AS) is not increased to match the AD, it would result in high demand-pull inflation that would reduce the purchasing power of these households and hence their real income, meaning that the additional advantage of an increase in disposable income is nearly negligible. To prevent this, businesses can strive to improve their efficiency and quality to attract capital investments, which would help them to expand further into new markets and scale up their production. This would increase the AS alongside and there will not just just be employment but also lead to an increase in the overall real incomes and living standards as well.

At first glance, one thinks that an increase in disposable income through more employment has a positive impact on society, although, this is only the case wherein that income is used to spend on merit goods or even just normal or luxury goods to increase demand. If this income is utilized to consume demerit goods on the other hand, like alcohol and cigarettes, it would result in a negative externality. To prevent this situation, the government could increase social awareness about its harmful effects, limit licenses to supply these products, and levy heavy excise taxes on the prices of such demerit goods. This would direct the spending of disposable income for either better standards of living or merit goods like education and welfare, which would help the government achieve its macroeconomic goals and benefit society. It is important to note that this is only needed once businesses provide more opportunities for jobs in the first place.

As businesses lead to an increase in the output produced by the economy and start to scale up their production as the demand for their goods and services is on the rise, it leads to better efficiency. One of the major positive impacts of increased production levels is economies of scale- whether in terms of purchasing, technical, managerial, or even financial- that it reduces the average cost of production per unit. As the profit margins for businesses rise, they are encouraged to supply more to the market for higher market share, which has proved to be even more lucrative for investors. If the increase in profit margins is beyond expectations, the business could also use the additional cash to explore better quality options regarding raw materials or invest in more technologically advanced machinery and equipment. This increases the Aggregate Supply (AS) of the economy, and as the developments to reap the benefits of economies of scale go on, the overall production potential of the economy will increase in the long term, shifting the production possibility curve (PPC) to the right as shown in the graph below.

A0: Original quantity of consumer goods produced
A1: New quantity of consumer goods produced
B0: Original quantity of capital goods produced
B1: New quantity of capital goods produced



Ultimately, this development would foster more employment as businesses require more labor to match the demand and lead to higher employment, lesser poverty, and better standards of living. Additionally, the increase in the production potential would also increase the country's scope to increase its Gross Domestic Product (GDP) and produce high-quality, internationally competitive goods to improve its trade surplus or deficit.

The aim is to increase their production potential and acquire new customers to attain more market share, which would encourage employers to train their workers for better quality. This training would improve the workers' skill sets and increase their job security and their chance of getting another job in the future. This could significantly help in reducing poverty levels and unemployment and improving the overall living standards in the economy. The provided training, whether on-the-job or off-the-job, would also significantly boost the workers' motivation and hence most likely their productivity and quality of work. This would increase production efficiency, thereby reducing the costs per unit of output and maximizing profit margins for the business. So overall, training would not only be advantageous to the workers but also be a strategic competitive advantage for the business, given that the business has the capital to fund it. Additionally, this training of employees in successful business ventures would also create positive externalities, like high incomes of individuals leading to an increase in literacy rates, tax revenue for the government for social welfare, and also a reduction in crime rates as more people in the economy would be satisfied with their present living standards.

As businesses become more lucrative, they start impacting society positively, and to maximize the benefits, governments tend to help businesses grow so that they enable the economy to prosper. This can be done by either granting subsidies or providing them with better resources and means. Subsidies would encourage businesses to increase their supply and scale up their production so that businesses employ and expand more. This will lead to an increase in the GDP and investments into research and development will make the products of the business more internationally competitive and increase the country's exports.

Moreover, the other things that the government can provide to help businesses flourish is to provide them with developed infrastructure in terms of better water supply, electricity, roads, and mediums of communication through better internet services. This will also foster an increase in profitable businesses all over the country and lead to more employment and output. Better infrastructure would also attract Multinational companies (MNCs) that would increase the options for consumers in the country. Albeit, if these opportunities are not properly utilized by the businesses there would be no actual increased outcome coming from such policies and the opportunity cost borne by the government would be wasted. Also, if businesses decide to use the amount gained from subsidies to set up a more capital-intensive production, it would increase their output but might lead to redundancy of workers, increasing unemployment in the country.

More often than not, spending is considered a mere necessity, but it also serves several essential economic and social functions. It is not just 'buying things you want or need' but also an important component that affects human psychology. Primarily, spending enables money to flow across multiple sectors, promoting social welfare and economic development. This perpetuates a circular flow of income in the economy wherein one individual's expenditure is another individual's income. It also generates psychological contentment in people especially in the case of prosocial spending when giving to the needy adheres to the fundamental human needs of social connection, irrespective of the amount given. While individual spending decisions may have short-lived biological effects, their cumulative impact over time can shape positive health outcomes as prosocial spending independently enhances both emotional and physical vitality if done with pure intention and not with the only purpose of marketing for a better brand image. This spending for social betterment creates a positive externality indeed but other kinds of expenditures by successful entrepreneurs have multiple advantages as well.

Truth be told, no matter how much a person wants to spend, it largely depends on their disposable income, which is why the affluent find it easier to spend than the needy. When a wealthy individual even spends on luxury items, they pay heavy taxes on them. This increases government taxation revenue, which is in turn used for social welfare like providing public goods and helping the needy with transfer payments. This spending on luxury goods would also open up more job opportunities in the manufacturing sector as the demand for these products increases, increasing employment and disposable incomes. This reduces the disparity between the incomes of poor and wealthy individuals, improving the average living standards of people in the country.

As entrepreneurs earn higher profits from their businesses, they spend some of their money through different means, but a sizable portion of their income is invested in growing at a rate higher than inflation. This could be done through bank savings accounts or other asset classes like stocks, bonds, gold, or real estate. If the money is saved in bank deposits, it will increase the banks' liquidity and credit availability in the economy, increasing the AD due to more investment and spending. Additionally, the investments in the differentiated asset classes would lead to an influx of capital in financial markets and, thereby the economy. This would foster the expansion of businesses and also attract Foreign Direct Investments (FDIs), leading to more economic growth in the long term. This would subsequently lead to the multiplier effect and strengthen that country's economy, hence largely benefiting the society.

To collate, businesses are essential drivers of economic growth, employment, and societal well-being. They create jobs and increase disposable incomes through increased production, fostering consumer spending and contributing to the multiplier effect. When aligned with ethical values and supported by effective regulations, businesses can enhance living standards and reduce poverty. Furthermore, prosocial spending and responsible practices amplify these benefits, creating positive societal externalities. By investing in the skill development of employees, infrastructure, and innovative technologies, businesses boost their profitability and contribute to sustainable economic growth, ensuring long-term prosperity for the community at large, hence benefitting society.

Bibiliography

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