

The Economics Lesson, Book 2, Scene 34

Gavin was in the office working, as were Athena, Minerva, and MacGilravie. Gavin was trying to make sense of one of the binders Wilcher and Evelyn had provided.

“Grandpère,” said Minerva. “You are a billionaire, correct?”

“Well, yes,” replied Gavin. “That term applies to me, although I still have trouble accepting that. You likely have more visibility of it than I do; I hardly pay attention. Why?”

“Well, why is it okay for you to have billions when my mother has so little?”

“Ah, the old income inequality thing,” said Gavin, closing his binder. “Let us do a thought experiment, but we will use someone else as an example. Jeff Bezos: you know of him?”

“Oh, yes,” said Athena. “Started Amazon, for one.”

“Right. Now, he is a billionaire, correct? Although most of his wealth is actually no more than stock in his own company. If investors woke up tomorrow and decided Amazon stock was worth \$0, he would no longer be a billionaire; poof, all gone. That’s lesson one; he is only a billionaire because a bunch of other people say he is. Now, how did Amazon get so big?”

“Well,” said Minerva. “Because a lot of people buy a lot of stuff from them. I buy stuff from them.”

“Exactly,” said Gavin. “Now, did anyone *force* you to buy from Amazon?”

“Well, no,” replied Minerva. “They have almost everything, their prices are low, and they deliver.”

“Right,” said Gavin. He steepled his fingers as he talked. “First Lesson of Economics, as per Thomas Sowell: scarcity. The price of a good or service is driven by its scarcity versus the demand for it. So, if you can figure out how to deliver something for less cost than others to meet that demand, you can make a shit-load of money. Bezos became a billionaire because he gave you and others what you wanted faster and cheaper than his competitors, and you gave him your money. No one forced you, so it was all voluntary. So *you* made him a billionaire.”

“Umm, I guess so,” replied Minerva hesitantly.

“So what’s wrong with him being a billionaire? Are you saying you made a mistake? And that all those other people made a mistake?”

“Well, no. Not when you put it that way.”

“What other way is there to put it? The transactions were voluntary; you got what you wanted, and he got what he wanted. Now, what about him *keeping* all that money? This touches on the second part of Sowell’s observation: The First Rule of Politics is to ignore the First Rule of Economics, and this now crosses over into my situation. Is it fair for him or me to keep the billion?”

“Umm, I guess,” said Athena. “I don’t know. It does seem unfair.”

“Why is it unfair? And if we agree that it is unfair, how would you propose to *make* it fair?”

“Well, it just feels unfair that some people have a lot while other people have so little,” said Athena.

“Let’s explore that a moment; before we get to the question of how you would make things fair, shall we? Is it unfair that some people get cancer and die and others don’t? Or that some people are born with a greater ability to throw a fastball?”

“The cancer thing is sad, but if it’s no one’s fault, then I don’t know how you can call it either fair or unfair,” said Minerva.

“Ah, you approach an understanding. Athena said it *felt* unfair for people to have large differences in wealth. The cancer analogy says that the universe does not care about your feelings. The same with the fastball; it is neither fair nor unfair, it simply *is*. So, is the wealth thing any different? I hasten to add that we must assume that the person with the greater wealth did not steal it, or to go back to Bezos, if he had somehow *forced* people to buy from him. Bezos had an idea; it started with books, you know, and people responded to his idea by buying lots of books from him. He could have failed completely if all those people had not decided it was in their own interest to buy from him.”

“Okay,” said Minerva. “So some people make more than others and have more than others. So now what?”

“That’s the second part of the issue,” said Gavin. “Let us say we decide that it is unfair for Bezos or me to have a billion dollars. Now what? You are going to take his billion and give it to someone else. Why is it *fair* for you to *take* his money? But let us say you do. To whom will you give it? If you give it all to your mother, all you have done is move the problem. Let’s say we spread it out; everybody in the country gets an equal share, so everyone in the US gets about \$3, which makes no one really better off. And to come up with that billion, Bezos has to sell stock, which drives down the price, which reduces the value of some teacher’s pension plan in Des Moines. On top of that, now Bezos doesn’t have the money he was going to use to expand some part of his business, thereby causing him *not* to hire the 3,000 people he had planned. So now, who is better off?”

“Umm, nobody,” said Athena.

“Exactly,” said Gavin. “Nobody. Let’s go back to the fastball pitcher a minute. He is able to throw the ball faster than all the other pitchers. So, to make things fair, we require him to pitch from second base instead of from the pitcher’s mound.”

“But that makes no sense,” said Minerva. “How is that fair?”

“Well, it’s equal, isn’t it? By the time his pitch gets to the plate, it is the same speed as all of the other pitchers.”

“But that’s ridiculous!” exclaimed Athena. “Everyone is different and is able to do different things!”

“And there you have it,” said Gavin, nodding. “Not everyone can be a billionaire, but that does not prove that no one should be one. All of this is discussed at length in one of the books on your list, *The Quest for Cosmic Justice*, by Sowell. I think we’ll move it up to next for your reading. And now it’s time for lunch, I believe.”