



## Greed, Need and Money

Walter Williams

Colaboraciones n° 2126

January 11, 2008

Demagoguery about greedy rich people or greedy corporate executives being paid 100 or 200 times their workers' salaries is a key weapon in the politics of envy. Let's talk about greed, starting off with Merriam-Webster's definition: "a selfish and excessive desire for more of something (as money) than is needed."

That definition is a bit worrisome because how does one know what a person really needs? It's something my economics students and I spend a bit of time on in the first lecture. For example, does a family really need one, two, three or four telephones? What about a dishwasher or a microwave oven? Are these excessive desires? If you say these goods are really needed, then I ask, how in the world did your great-grandmother and possibly your grandmother, not to mention most of today's world population, make it

without telephones, dishwashers and microwave ovens? "Need" is a nice emotional term, but analytically, it is vacuous.

"Selfish" is a bit more useful term, and it's the human motivation that gets wonderful things done. For example, I think it's wonderful that Alaskan king crab fishermen take the time and effort, often risking their lives in the cold Bering Sea, to catch king crabs that I enjoy. Do you think they make that sacrifice because they care about me? I'm betting they don't give a hoot about me. They make it possible for me to enjoy king crab legs because they want more money for themselves. How much king crab would I, and millions of others, enjoy if it all depended on human love and kindness?

What about complaints about CEOs earning so much more than the av-

erage worker? Before looking at CEOs, let's look at another area of huge pay differences. According to Forbes' Celebrity 100 list, Oprah Winfrey earned \$260 million. Even if her makeup person or cameraman earned \$100,000, she earns thousands of times what they earn.

Among the celebrities earning hundreds or thousands of times more than the people who work with them are: Steven Spielberg (\$110 million), Tiger Woods (\$100 million), Jay Leno (\$32 million) and Dr. Phil (\$30 million). According to Forbes, the top 10 celebrities and athletes earned an average of \$116 million in 2004 compared to an average of \$59 million earned by the top 10 corporate CEOs.

When Jack Welch became General Electric's CEO in 1981, the company was worth about \$14 billion. Through hiring and firing, buying and selling decisions, Welch turned the company around and when he retired 20 years later, GE was worth nearly \$500 billion. What's a CEO worth for such an achievement? If Welch was paid a measly one-half of a percent of GE's increase in value, his total compensation would have come to nearly \$2.5 billion, instead

of the few hundred million that he actually received.

If a corporate board of directors could buy a \$1,000 computer that could do what a CEO does, it wouldn't pay him millions of dollars. If an NFL owner could hire a computer to make decisions that star quarterbacks make, why would he pay some of these guys yearly compensation packages worth more than \$10 million? If just anybody could have played the lead role in "The Da Vinci Code" and have it earn \$758 million at the box office, why would the film's producers have paid Tom Hanks \$74 million?

There's another important issue: If one company has an effective CEO or a team has a star quarterback, it is not the only company or team that would like to have him on the payroll. In order to keep him, he must be paid enough so that he can't be lured elsewhere.

You say, "Williams, what about those golden parachutes for failing CEOs?" Paying a failed CEO, or a spouse in the case of marriage, enough money to go away quietly might be much cheaper than litigation.

© 2007, Creators Syndicate Inc.