

Can You Spot the Billionaire?



A Canadian student once confessed to me the confusion and anger he suffers whenever any of his friends move to the United States. I asked him why he feels this way. He replied that he “could never live in a country with such a high Gini coefficient.”

The Gini coefficient is a measure of income inequality. The higher is a country’s Gini coefficient, the greater is the inequality of incomes earned in that country. It says nothing about people’s absolute material well-being or about mobility among income groups. It is merely a snapshot of current differences in people’s monetary incomes.

Recently I attended a seminar that prompted me to recall this Canadian’s remark, and to shake my head at its irrelevance.

At this seminar a George Mason University graduate student presented his research on economic development in the Philippines. In the audience were college professors, graduate students, and a bona fide American billionaire. At some point during the student’s presentation I realized that had I not been told that the billionaire (let’s call him Mr. Bucks) was, in fact, a billionaire, I would have had no inkling that a person of such enormous wealth sat in the room.

It’s not that Mr. Bucks was shabby or unkempt. On the contrary, he wore a nice suit and a nice watch, and had a nice haircut.

The reason he was not distinguishable as a billionaire had nothing to do with his own appearance; it had everything to do with the appearance of the other 25 or so people in the room. Everyone was as well-dressed and groomed as he was.

Take the graduate student making the presentation. His suit, his watch, and his haircut were also nice. In fact, just looking at both men indicated no difference at all in the quality of their dress, jewelry, or grooming.

It’s true that Mr. Bucks likely paid much more for his clothing, jewelry, and grooming than the graduate student did, but such expense is barely visible to the naked eye. One way to detect the wealth differences would have been for me, say, to feel the weave of Mr. Bucks’s suit and compare it with that of the graduate student. Mr. Bucks’s suit probably would have felt finer.

Another way to detect wealth or income differences would be to rely on rather abstract knowledge. For example, had I examined Mr. Bucks’s wristwatch up close, I likely would have learned that it was a Patek Philippe or a Rolex. The graduate student, in contrast, probably wore a Timex or a Swatch. The only reason, however, that “Patek Philippe” and “Timex” provide information about the value of these items is that we know, mostly through advertising, that a Patek Philippe is very expensive and a Timex isn’t. A visitor from Mars could have drawn no such inference from the brand names on the watches; he would have simply noticed that both keep time with the same remarkable accuracy.

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An even more abstract piece of knowledge could have been produced by my corralling one of the graduate students into doing a quick survey and using the findings to calculate the Gini coefficient for the occupants of the seminar room. It would have been large. Reading this Gini coefficient would then have revealed (to all who know about Gini coefficients) that the incomes earned by people in that seminar room were quite unequal.

But again, none of the very real differences in incomes that separated people in that room were visible.

Contrast this fact with life in countries less infused with capitalism. As I sat in the seminar room with Mr. Bucks and others, the graduate student presenting his research showed pictures that he took in the Philippines. One picture was of shanty homes built literally on garbage heaps. Other pictures were of the occupants of these homes, often standing beside other Filipinos who were a bit wealthier.

Vast Differences

The wealth differences separating these desperately poor garbage-heap dwellers from their more-fortunate countrymen were evident to the naked eye. These very poor Filipinos wore clothing that, even in a snapshot, was clearly inferior to the clothing worn by Filipinos of greater, if still modest, wealth.

And importantly, even Filipinos who enjoyed this modest wealth wore clothes that were noticeably cheaper than those worn by one of the wealthiest people in that country, Imelda Marcos. While in the Philippines, the graduate student met Mrs. Marcos and had his picture taken with her. Her dress would not have distinguished her on any American street, but it was visibly superior to that

worn by any other Filipino who appeared in the pictures we saw at that seminar.

It's when I noticed this fact that I scanned the room and realized that the wealth differences separating Mr. Bucks from everyone else (and separating us professors from the graduate students) were invisible.

This fact about capitalist society is remarkable. Hefty differences in money income and wealth do exist in capitalist societies. But the consequences of this inequality on actual material standards of living are so small that they are largely invisible. For most of the features of our routine existence—our dress, personal cleanliness, and access to basic health care, such as vaccines, vision correction, pain relief, and first aid—almost everyone in capitalist society is equal. (I noticed that Mr. Bucks swallowed two Bayer aspirin just as the seminar began. Bayer is the brand I use when I have a headache.) The differences in these everyday aspects of life that do distinguish people of different wealth levels are minor and largely unobservable.

I don't want to push this point too far. I'm certain that Mr. Bucks has several homes, each one far grander—and visibly so—than any place the typical American will ever live. I'm sure that he drives an automobile that is much nicer than most, and that he drinks finer wine and eats at fancier restaurants than do ordinary people. And Mr. Bucks never worries about how he'll pay his bills if he loses his job.

But the fact remains that in many of the basic elements of life, nearly every American is as well off as Mr. Bucks. If wealth differences between billionaires and ordinary Americans are barely visible in the most routine aspects of daily life, then to suffer distress over a Gini coefficient is to unwisely elevate ethereal abstractions over palpable reality. □