



Is giving back the best approach?

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ESPN writer Michael C. Wright recently reported a comment by Spurs coach Gregg Popovich on why it is important to give back to the community: “Because we’re rich as hell and we don’t need it all, and other people need it. Then, you’re an (expletive) if you don’t give it. Pretty simple.”

Yes, many people are in great need, and I think most of us want to see the lives of the less fortunate improved. Popovich raises the question of what people need and the best way to help them get it.

If some people cannot afford adequate food or housing, giving money will help them. But what might happen if you did something else with your money?

You could just leave it at the bank, which can then lend it to new businesses or to established ones.

If they expand their output, it could lead to more jobs, which will help those in need. As Ronald Reagan used to say, the best social program is a job.

Or, if you are rich, you can spend your money on goods you enjoy. This, too, can create jobs.

The big question is, what is the best approach for lifting people? And if it includes charity, what is the optimal amount?

But we would do well to remember that wealth is created by entrepreneurs. If it weren’t for them, we would not have much wealth to redistribute.

Think of all the great products that even the rich could not afford before the Industrial Revolution. They are largely the result of entrepreneurs starting businesses and creating goods to improve the lives of millions.

So when people like Popovich say the rich need to give back, let’s remember that they may be rich because of what they created through entrepreneurship. In fact, entrepreneurs may get only a small fraction of the value they create.

Economic historian Deirdre N. McCloskey wrote in a Cato Institute report that “the economist William Nordhaus has calculated that the inventors and entrepreneurs nowadays earn in profit only 2 percent of the social value of their inventions.” The other 98 percent goes to the rest of us.

William McBride of the Tax Foundation reported that the share of entrepreneurs on the Forbes 400 list of the wealthiest Americans was 69 percent in 2011. So many wealthy people, by being entrepreneurial, have already given much to their communities.

Do they need to “give back” also? Perhaps not. Giving back implies they took more than they should have, as if there is some fixed pile of wealth they greedily took too much of.

If a person has to give back to their community, as Popovich suggests, what does that mean? Did they charge too much for their products? Did they pay too little to their suppliers, including the workers?

Not likely in our competitive, dynamic economy. But that entrepreneurial dynamism has declined as inequality has grown in the last few decades.

We need to remove regulatory roadblocks for entrepreneurs, including things like so many occupational license requirements.

If Popovich enters politics, as some have hinted, I hope he has some ideas on how to grow the economy and not just redistribute wealth and income.