

No Need to Idolise the Rich

Reflecting recently on his experience as a philanthropist, Microsoft founder Bill Gates spoke about the relative failure of his efforts to promote so-called renewable sources of energy. He told *Wired* magazine that it was ‘cute’ and ‘kind of cool’ to have solar panels on your roof, but that the economics were ‘so, so far from making sense’. And yet, he acknowledged, that’s where the subsidies are going now.

Asked if that meant there’d be no solar cells on the roof of the Gates family residence, he replied “Oh, we like to be cute like everyone. For rich people, this is OK. Rich people can do whatever they want.”

This prompts several observations. For a start, we should not idolise the rich. We should acknowledge that the rich can spend foolishly and self-indulgently, just as they can be wise and generous philanthropists.

Of course we should respect high achievers in business as elsewhere, but this is for their success, not because they ended up rich. Jim Bolger was once wrongly accused of asking people to worship the rich, when he called for respect for New Zealand’s successful entrepreneurs. The same thing goes for sports stars or entertainers.

It makes no sense to demonise the well-off out of envy or covetousness. As PJ O’Rourke points out in *Eat the Rich*, in a boiled-down version of the Tenth Commandment, “Do not bitch about what the people across the street have. *Go get your own.*” There are, of course, limits to this proposition, but it carries a lot of truth.

It is an ignorant belief that there is a finite amount of wealth to go around, and that the well off have accumulated their money at the expense of the poor. *Sunday Star Times* journalist Anthony Hubbard epitomised this envy mindset in his 31 July 2011 rant about the *National Business Review’s Rich List*. Dr Michael Cullen’s ‘rich pricks’ cliché is another example.

People who get rich by supplying goods and services and providing better value for money than anyone else have contributed to the common welfare in the process. Bill Gates is unquestionably doing much good work through his philanthropy, but it won't come anywhere near the benefits created by Microsoft's software, including the ability it gave tens of millions of others to set about creating more wealth.

Another point is that when the rich spend self-indulgently, they spend their own money, but when governments subsidise wasteful spending they squander other people's money, including that of the poor.

The problem of government waste may be the reason why philanthropists such as Gates establish charities, rather than giving their wealth to the government to distribute.

The virtues of allowing people to spend their own money while widening their opportunities through open competitive markets should not be disparaged as favouring the interests of rich people. Indeed one of the most important aspects of economics is, in my view, the application of orthodox principles to raising people out of poverty.

Nobel Laureate Milton Friedman made a particularly notable public and professional contribution in this regard. Fellow Nobel Laureate Gary Becker has argued that Friedman's influence with the Chinese authorities helped lift hundreds of millions of their citizens out of grinding poverty. What greater reason for professional satisfaction could there be than that?

I care about inequalities of wealth and income, but I care much more about alleviating poverty and hardship, and that will not be achieved by dragging down the incomes and opportunities of those who are better off. Almost all can benefit from greater opportunities generally. China today demonstrates that. As Deng Xiaoping said, opposing an emphasis on income equality, "To grow rich is glorious."

The Clark Cullen government's Working for Families package illustrates how interventionist policies intended to 'close the gap' often hurt those on lower incomes most. It raised effective marginal tax rates for a great

number of New Zealanders, did little for the least well off and provided insufficient encouragement for welfare beneficiaries to move into paid work.

The well off can usually find their way around policies intended to equalise. An example is New Zealand's centralised, highly regulated education system. Well-off New Zealanders can get around poor educational services through buying their way into the zones of high-performing schools, choosing private schools or buying extra tuition for their children. However, for those trapped in areas with underperforming schools, it's tough luck.

I much prefer a system like Sweden's, where the funding follows the child and everybody can send their child to the school of their choice.

In short, if we want to alleviate poverty, we should not be focusing on the wealthy – as Bill Gates explained, they can take care of themselves. 'PJ O'Rourke rightly pointed out that "We know how to get rid of poverty. We know how to create wealth. But because of laziness, fear, complacency, love of power, or foolish idealism, we refuse to do it."

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