

## Thomas Sowell



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### **Hollywood Economics - The anti-business irony.**

By Thomas Sowell

It is not really news that Hollywood is still producing anti-business movies, but there is a certain irony in it nevertheless.

Although these movies tap a certain envy and resentment of corporate wealth, that large corporate wealth comes from far more modest individual amounts of money from about half the population of the United States, which owns stocks and bonds — either directly or because money paid into pension funds or other financial intermediaries are used to buy stocks and bonds.

The irony is that the average Hollywood star who is making anti-business movies is far wealthier than the average owners of those businesses, who are half the population of the country.

The *Los Angeles Times* refers to documentary “films” that are “critical of corporate power.” But just what does this vague word “power” mean when it comes to businesses?

Wal-Mart is the big bugaboo these days but what “power” does Wal-Mart have? I lived three quarters of a century without ever setting foot in a Wal-Mart store and there is not a thing they can do about it.

It so happened that this past summer in Page, Arizona, I needed to buy some toiletries, which caused me to go into a nearby Wal-Mart for the first time. Inside, it looked more like a small city than a large store. But the

time. Inside, it looked more like a small city than a large store. But the prices were noticeably lower than in most other places. Is that the much-dreaded “power”?

Apparently Wal-Mart does not pay its employees as much as third-party observers would like to see them paid. But obviously it is not paying them less than their work is worth to other employers or they probably would not be working at Wal-Mart. Moreover, third parties who wax indignant are paying them nothing.

One of the morally indignant “films” (more high-toned than “movies”) coming out of Hollywood makes the same complaint against Starbucks, depicting poverty-stricken Ethiopian coffee growers providing beans for the big-bucks coffee-store chain.

Are the Ethiopian coffee growers worse off now that Starbucks is buying their beans? Supply and demand would suggest otherwise. But moral crusaders seldom have time for economics.

If those who claim to be concerned about the Ethiopians' poverty really are, why is not relieving that poverty just as much something for them to do with their own money as for Starbucks to do using money invested by other people — including nurses, mechanics, teachers, and others who are paying into pension funds to provide for their own old age?

The tragic fact is that productivity is far lower in poor countries. That is the fundamental reason why they are poor in the first place. You cannot pay American wages to workers whose average productivity is a fraction of that of American workers, without driving up the cost of production to the point where businesses will take their jobs to some other country.

The real comparison is not between what people are paid in third-world

countries compared to what people are paid in the United States. The comparison that affects outcomes is what third-world people are paid by multinational corporations compared to what they can earn otherwise. By and large, multinational corporations pay about double the local pay in third-world countries.

Third-world workers line up for these jobs and even bribe insiders to get them such jobs. If economically illiterate Hollywood busybodies and other mindless crusaders succeed in establishing more costly pay scales without regard to productivity, that will undoubtedly lead to fewer jobs, just as similar policies do in other countries. There is no free lunch in the third world, any more than there is elsewhere.

The net result will be people feeling good about themselves in Hollywood, in academia and in the media, while leaving havoc in their wake among the third-world people they claim to care about.

What the third world needs are more multinational corporations, not less. As more multinational corporations move into a poorer country, the people there not only get additional economic opportunities, they acquire skills and job experience that raise their productivity and earnings potential, even if that outrages the economically illiterate in Hollywood.