

Career Path: Don’t Worry About Greed

Law Department Management

Career Development



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Are corporations greedy? I notice that people use the word "greed" carelessly in two misleading ways. First, they imply that greed is unnatural and immoral. And second, they behave as if greed afflicts only one party to a transaction.

What is greed?

Greed is, in fact, a completely natural impulse. Let's say you're holding a garage sale:

You've got your front yard filled with unneeded toys, sports equipment, and clothing. Two people are interested in your old bike. One says they'll pay you US$100 and the other says they'll pay you US$200. Are you greedy if you take the US$200? Or are you simply behaving rationally?

Assuming that transactions between market participants are unforced (that is, consensual on both sides), can it be immoral to allow a transaction to take place exactly as both parties wish?

Before you decide on the morality of market transactions, consider the second point: Which of us is

the greedy one? We assume it is the seller who is the greedy party: Greedy corporations raising prices and taking advantage of consumers. But what about the buyers? If one person at your garage sale bidding on your bike earns twice as much as the other person, and can comfortably pay more, are they greedy for using their superior earnings to their advantage? To give another example, are the young professionals moving to your town and bidding up home prices greedy because they can pay more?

Can it be immoral to allow a transaction to take place exactly as both parties wish?

Take two persons earning the same amount of money but placing different values on things. Person A likes to travel to new places and places a premium on their vacations. They could live in a small apartment and be happy. Person B loves to be at home and wants a house with a yard. When these two want to book a flight, Person A is willing to pay considerably more of their income to get the flight they want. When it comes to their housing, Person B is willing to pay more of their income to get the home they want. Is Person A greedy? Are they both greedy? Or do their decisions merely reflect different values and choices?

If you believe a seller is greedy for preferring to receive more money instead of less money, by the same logic, a buyer is greedy for being willing to pay more than another bidder to get what they want.

Competition for resources

Right now, you might be feeling uncomfortable with your understanding of greed, and for good reason. When we consider either the seller or the buyer to be greedy, a problem arises, because we compare the actual transaction with a hypothetical one that we feel "should have happened," absent some imagined amount of greed, and find the results unsatisfying. It now should be clearer to us that "greed" is often nothing more than competition for resources playing out in markets with varied buyers.

In fact, there is no objective standard by which to determine when normal price competition goes too far and becomes greed. When challenged to set standards, people usually fall back on another hypothetical and imaginary concept: "fairness." As in, "it's not fair to charge so much." Because fairness is situational and relative, everyone draws the line differently about what they think is fair.



Individuals reach personal equilibriums in how much they're willing to spend on goods/services. Artwork by fran_kie / *Shutterstock.com*

You can easily imagine how chaotic the world would become if transactions were governed by people's imaginary concepts of greed or fairness. Back at our garage sale, the bidder who offered US$100 for your bike will certainly think it's unfair that someone is willing to pay US$200 for your bike. But is it unfair for you, as the seller, to accept the higher offer? Why exactly?

Fairness is in the eye of the beholder

Or perhaps the people promoting "fairness" object to something else entirely: that people have different levels of desire for the same goods. Assume both bidders have the same amount of money, but one likes biking more. Is it "fair" that the avid cyclist is willing to pay more for the bike?

Now, consider what would happen if we tried to promote "fairness" by eliminating "greed":

As the seller at your garage sale, you could not consider potential buyers' greater desire to own your bike, or their greater ability to pay. In fact, to be "fair" you'd have to know which person could afford the least or wanted the bike less, leading to absurd results. After hearing the bids for US$100 and US$200, the kid next door says "I've saved up US$50, but I also want to go to the movies, so I can't pay more than US$25. I still would like to have your bike." Is it fair to *anyone* if you sell your bike to the kid for US$25?

When we apply standards like "Don't be greedy," and "Be fair," it's a short step to conclude that people who have no disposable income are entitled to goods and services for free. Most people recognize that individuals and companies cannot simply give things away or they'd quickly go bankrupt.

People then arrive at the idea that companies should be allowed to earn a "reasonable" profit, but not "excess" profits. Does this sound to you like another way of saying "Don't earn more than an arbitrary amount I decide is fair?" Because that's exactly what it is.

> If we value individual freedom, we must accept the necessary diversity of outcomes that comes with it.

Fairness, like beauty, is in the eye of the beholder. Fairness is relative and situational, which means that what we think is fair changes over time and changes depending on who is doing the comparing. What you think is fair is likely quite different than someone in different circumstances than you thinks is fair.

If all this seems messy and complicated, don't worry. There is a fantastically simple and effective solution: Don’t worry about greed or fairness, but let market forces determine the prices of goods and services. Individuals expressing their individual preferences in pursuit of their own values effortlessly figure out what they're willing to pay.

In every other aspect of life, we give individuals freedom to decide how best to apply their interests and abilities. Some people are naturally talented, while some must work extra hard to achieve the same result. Others squander their gifts and waste their time.

If we value individual freedom, we must accept the necessary diversity of outcomes that comes with it.

Be well.

Question, comment? Contact Career Path columnist James Bellerjeau.

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