

Reading Homework

The Economics of Inequality

Matthew Garth negotiated the sale of Thomas Dunson's herd of 10,000 head of cattle for \$23.00 per head. The cattle had been all but worthless in Texas due to oversupply and a lack of currency in the state. But by bringing the herd 1,000 miles to the north to Abilene, Kansas where the railroad could transport them to the East, their value increased enormously.

Just how much was the \$230,000.00 Dunson would receive for his herd worth in today's dollars? This is a very tricky question for which there is no one answer. There are many ways to measure the historical value of money. I went to the website <measuringwealth.com> to try to understand this better. Here is the chart I got from the website. The chart shows seven different measures of the value of \$1.00 in 1866 relative to what it would be worth in now in 2020.

"Definitions of Relative Worth" for the combinations of each of the seven indexes applied to each of the three types of items.

Item Measure	Commodity	Income or Wealth	Project
Price Index	Real price \$16.60	Real wage or real wealth \$16.60	Real cost \$14.10
Compensation	Labor value \$154.00 or \$284.00	Relative labor earnings \$154.00 or \$284.00	Labor cost \$154.00 or \$284.00
	Income value \$259.00	Relative income \$259.00	
Output	Economic share \$2,360.00	Relative output \$2,360.00	Economy cost \$2,360.00

So, in today's money what Tom gets for his 10,000 head of cattle would be between \$3,680,000.00 and \$23,600,000.00. In Japanese yen that is between ¥368,000,000 and ¥2,360,000,000. the lower figure would make him rich; the higher figure would make him one of the richest people in the world.

Tom had his men sign a contract which gave them wages of \$10.00 per month for making the cattle drive. That was a very low wage for cowboys in those days who usually earned a dollar a day or about \$30.00 a month. But wages in Texas were very low in 1866 because the economy was so bad. So, each cowboy who finished the drive would be paid about \$30.00-\$40.00 (or perhaps as much as \$120.00 if the wages were "normal". That is compared to Dunson's \$230,000.00. That means Dunson's reward is between two and eight *thousand* times as much as the reward each cowboy will earn. Is the work of one man worth more than the work of 8,000 men?

In John Ford's *Stagecoach*, Gatewood, the banker, was one of the villains because John Ford wanted to remind his audience that the greed of bankers caused the Great Depression. Ford was offering social criticism in his film. One of the most serious problems in American society today is exactly the type of "income inequality" we see in *Red River*. In Japan, there are rich people and there are poor people, but most people are somewhere in the middle. I might wish to argue that the very rich have too much in Japan and the very poor do not have enough, but the Japanese system is much, *much* better than the one in America. In America today, according to the economist Edward N. Wolff, the richest 1% of Americans have more wealth than the bottom 90%. Here are some other statistics: the richest man in America (and the world) is Jeff Bezos, who owns Amazon. His net worth is estimated (as of July 2020) to be \$184,000,000,000 (¥19.3 trillion). That means that Mr. Bezos' personal wealth is greater than the GDPs of 138 of the 190 member nations of the United Nations. That is

only *one man*. The fifteen richest Americans have a combined wealth that is greater than the GDPs of 174 of the world's 190 U.N. member nations. America has 614 people worth over \$1,000,000,000 (¥105 billion) each. Combined, they are worth \$3,000,000,000,000 (¥315 trillion). That is more than the GDPs of 186 of the 190 nations of the U.N.

Remember what President Obama said when he was talking about successful American businesses: "You didn't build this alone". Thomas Dunson certainly did not get his cattle to Abilene by himself. If it had been left to him, the cattle drive would have failed. Also, remember what the cowboy Teeler told Dunson: "This herd doesn't belong to you. It belongs to every poor hoping and praying cowboy in Texas". The cattle drive was a success only because of those hoping and praying cowboys who agreed to go on the cattle drive with him, four of whom died on the drive, three of them killed in the gunfight Dunson started for no other reason than the men stood up for their basic rights as workers. Finally, I would remind you of what I said about American democracy. America is *supposed* to be a nation of *laws*, not *men* (like kings or dictators).

But, in the Old West, men like Thomas Dunson, men who made vast fortunes in the cattle business, became like kings or dictators. They became known as "Cattle Barons", ranchers who were so rich and powerful that they could and often did ignore the law and acted like Japanese *daimyo* on the land they controlled. Like Thomas Dunson, these men often murdered anyone who got in their way. As we continue to study the American Western, we will encounter more men like Thomas Dunson and we will see that many of these films are about the struggle to achieve the American ideal of a nation of laws, not of men.