

How Dickens Has Given the Scrooges Of the World a Bad Rap

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With the replaying of “A Christmas Carol” each holiday season on any number of television channels and at all times of the day, Charles Dickens continues to give the scrooges of the world a bad rap – and to greatly exaggerate the virtues of widely publicized and (presumably) selfless philanthropy.

At the start of the story, Dickens depicts Ebenezer Scrooge as an ornery miser, someone who is “a squeezing, wrenching, grasping, scraping, clutching, covetous old sinner.” To achieve “dramatic tension,” Dickens contrasts the miserly Scrooge with a sweet, disabled and impoverished child, Tiny Tim. Scrooge finds spiritual redemption only when he embraces the Christmas spirit by opening his heart and wallet to Tiny Tim and his family.

“A Christmas Carol” is a heart-warming story, but it misleads audiences on the relative merits of misers and philanthropists in the world. Philanthropists clearly do enormous good for many people in ways that need not be mentioned here. But misers also do enormous good for others in ways that deserve mentioning *because* the good they do is largely invisible, while the good philanthropists do is almost always highly visible and publicized.

To appreciate what misers do for others, consider two individuals – Mr. Philanthropist and Mr. Scrooge -- who are very successful in their entrepreneurial careers, with both undertaking laudable ventures before retirement. Each begins retirement with fortunes of, say, \$1 billion. As entrepreneurs, they both produced far more value for others than they consumed

themselves, which means they left real capital to be productive. But here we are interested in the good they do with their \$1 billion in retirement.

Assume Mr. Philanthropist acquires the “Christmas spirit” upon retirement and starts giving away his fortune to charities, universities, and a host of cultural activities in his community. The good resulting from his contributions is always praised by the recipient organizations and frequently (for large gifts) reported in the media.

On the other hand, in retirement Mr. Scrooge becomes a miser, hoarding everything—not giving away a dime. Indeed, to make our point with clarity, let’s suppose that Mr. Scrooge is so enthralled with the glow of his vast fortune that he converts his entire wealth into twenty-dollar bills and fills his indoor swimming pool with them.

Does Mr. Scrooge benefit others? By withdrawing \$1 billion from circulation, Mr. Scrooge reduces the number of dollars chasing after the available goods. With the predicted drop in the price level, everyone experiences a slight increase in *real* income and *real* wealth, but an increase that is spread so thinly over so many people that no one can detect or trace the source of the largess. Nevertheless, the aggregate increase in real income and wealth across all affected people can be substantial—approximately \$1 billion, since this is the value that Mr. Scrooge produced but which he does not consume himself.

Granted, Mr. Scrooge helps the rich and the poor in proportion to their dollar-denominated incomes and wealth, but he could actually help more poor people than Mr. Philanthropist, given that so much philanthropy is directed toward purposes that benefit primarily non-poor people.

Also, by continuing his miserly ways, Mr. Scrooge would be ensuring that all of his wealth actually goes to others. Mr. Philanthropist’s generosity would give rise to an army of

fundraisers beating a path to his door pleading for donations. The resources soaked up in this fundraising represent a reduction in the value that goes to the recipients of Mr. Philanthropist's generosity. No fund raising is required to receive the benefits of Mr. Miser's generosity.

Finally, people are free to use the wealth Mr. Miser transfers to them in the form of lower prices on what they want, not on what Mr. Philanthropists thinks they should have. Mr. Miser is often not so willing to defer to the desires of others when he transfers his wealth.

In Dickens' story, Ebenezer Scrooge is scorned for his miserly ways. He is redeemed in the eyes of readers and viewers only when he diverts the resources from unseen and unknown ends to the very visible end of helping poor little Tiny Tim. Those who help the downtrodden with their philanthropy deserve the respect and gratitude they receive. But while we cannot expect anyone to write an emotionally touching book extolling the virtue of misers, we should at least give them our gratitude for all the unrecognized good they do for others.

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