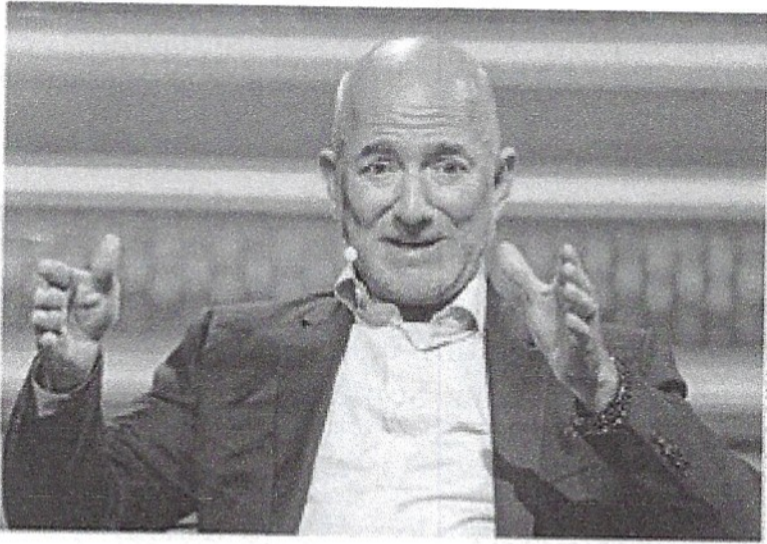


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## WSJ Print Edition

*The Amazon founder's innovations save customers 22 hours a year on average, giving them the gift of time.*



Jeff Bezos REBECCA BLACKWELL/ ASSOCIATED PRESS

### Jeff Bezos Earned His Fortune

By Marian L. Tupy

Amazon founder Jeff Bezos recently made a point that every critic of billionaire wealth should confront: "If I do my job right, the value to society and civilization from my for-profit companies will be much, much larger than the good that I do with my charitable giving."

To see if he is correct, consider the one resource that is truly finite: time. Modern debates about wealth start in the wrong place. They begin with the fortune. They should begin with customers and their time. Mr. Bezos is worth roughly \$275 billion. That number offends many people because they assume wealth must have been taken from someone else. But Amazon didn't become valuable by force. It became valuable because hundreds of millions of people chose to use it.

Consumers weren't forced to buy books, batteries, diapers, cables, razors, tools, groceries or printer ink from Amazon. They did so because Amazon saved them time, money, effort or uncertainty. Sellers weren't forced to use Amazon's marketplace. They did so because it gave them access to demand. Firms weren't forced to use Amazon Web Services. They did so because renting computing power was cheaper than building and maintaining their own information-technology infrastructure. That is capitalism: People get rich by creating something others value enough to buy.

The Bezos fortune looks large because it is visible. The value Amazon created is harder to see because it is dispersed. A mother who doesn't drive to a store to buy diapers doesn't appear in an economic headline. A small business that reorders supplies in two minutes doesn't make the evening news. A rural customer who gains access to goods once available only in cities doesn't receive a subsidy check with Amazon's logo on it. Yet each transaction saves time, and time is limited.

Consider the arithmetic. Suppose an hour of labor is worth about \$64, roughly the average gross domestic product per hour worked in the countries in which Amazon operates. If Mr. Bezos' fortune corresponded to the total value that Amazon created, his \$275 billion would represent about 4.3 billion hours of saved time. Divided among Amazon's more than 300 million active customers, the saving comes to about 14 hours per customer over Amazon's life. That's nothing. Many customers save that in a month.

But entrepreneurs don't capture all the value they create. The Nobel Prize-winning economist William Nordhaus estimated that innovators keep only a small share of the social value—roughly 2%—produced by their innovations. Under that assumption, Mr. Bezos' \$275 billion fortune implies that Amazon created about \$13.8 trillion in total value for society.

At \$64 an hour, that means Amazon has saved its customers about 214 billion hours. Across 300 million customers over roughly 32 years (Amazon was founded in 1994), the saving equals about 22 hours per person a year. That is 25 to 26 minutes a week, or a little less than four minutes a day.

So the question isn't whether Mr. Bezos has too much money. It is whether Amazon has saved the average customer four minutes a day. The answer is yes. A single avoided trip to a store can save 30 minutes. Finding a product online instead of driving to three retailers can save an hour. Reading reviews can reduce the chance of buying the wrong product. Automatic reordering can save repeated errands. Price comparison can save money and time. Fast delivery can substitute for inventory kept in closets, garages, offices and warehouses.

The savings extend beyond retail. Amazon Web Services lowered the cost of starting and scaling companies. It gave firms computing capacity without the old capital expense. That made experimentation cheaper. Some firms failed faster. Others grew faster. Both outcomes matter. Cheap failure is part of progress. *Note*

Amazon also forced competitors to improve. Walmart, Target, grocery chains, hardware stores, logistics firms and online retailers responded with better websites, faster delivery, wider selection and lower search costs. Even people who dislike Amazon benefit when its competitors become better because Amazon raised consumer expectations.

Charity can do good, but Mr. Bezos is right: Business can do better. Charity moves existing resources toward chosen ends. Business, when it works, creates new value by reorganizing labor, capital, knowledge and logistics. Philanthropy can fund scholarships, clinics, museums and disaster relief. Enterprise can improve how hundreds of millions of people spend their time every week. Some people will spend the extra time earning money to buy things they previously couldn't afford, helping their communities, enjoying the company of their loved ones, taking a holiday or relaxing.

That distinction is often lost. Critics praise billionaires when they give money away but condemn the process that made the money possible. That is backward. The social contribution of an entrepreneur usually occurs before the charitable foundation is created. It occurs when customers gain, workers earn, suppliers sell, competitors improve, and resources move to better uses.

None of this means Amazon is perfect. No large company is. Amazon can make errors. But that doesn't cancel the basic fact: Amazon created enormous consumer surplus.

The moral case for Mr. Bezos' wealth doesn't require blind admiration of his business acumen. It requires arithmetic. If Amazon saves each customer 22 hours a year, Mr. Bezos's fortune passes the Nordhaus test. If it saves more than that, society receives far more than he keeps.

It is easy to resent the billionaire. It is easy to ignore the saved hours. But the hours matter because time is limited. It is our most precious resource. Count the time saved, and Mr. Bezos' fortune becomes less mysterious and much more defensible.

*Mr. Tupy is a senior fellow at the Cato Institute.*

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