

# Everyday economics floats all our boats

I once had a professor who couldn't stop saying "Economics is everywhere." Twenty-five years later, I thought I'd put her theory to the test.

I'm on vacation, traveling with family and friends. Writing this paragraph from our hotel lobby, I'd say we found a pretty nice place to stay. It has great restaurants, a couple of pools, a multi-story lobby with glass elevators, and about a thousand rooms. It's also got twin diesel engines and a top speed of 25 knots.

You can think about economics on a cruise in lots of ways. The ship itself cost around half a billion dollars. It wouldn't exist without people willing to put capital at risk. That in turn requires the rule of law, property rights, accounting, capital markets, and all sorts of other things that people take for granted. You shouldn't, though. They're absolutely essential if you want things like cruise ships to exist.

There's also the mind-boggling logistical problems. How do you supply the needs of 2,000 people on a boat? How do you feed them, entertain them, keep them safe? That turns out to be easy in a market economy. Complex problems of resource allocation are no big deal for the invisible hand of capitalism.

What's more interesting are the people. To me, that's what economics is all about. All of us on the cruise are in the same boat, so to speak. What are the economic forces that bring us together?

The first thing you notice is the incredible diversity of passengers. Cruising is clearly no longer limited to the mega-rich. Capitalism makes things better and cheaper over time, which means more people can enjoy them. You'll see that in spades when you go on a cruise.

In fact, the only group more diverse than the passengers might be the crew. I counted staff members from Germany, Belarus, Indonesia, Philippines, France, Ukraine, Austria, India, Thailand and Slovakia, stopping after my 10th country.

How do all these people communicate with one another? They use English. Why? Because English is the closest thing the world has to an international language. Peo-



OPINION  
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ple could always try Esperanto or Chinese, but the costs of switching from English are so great they'd exceed any possible benefits. There's that economics thing again. It just worked out that way.

I talked to Natasha, a classically trained musician who plays on the ship's pianos throughout the day. She's from Belarus, and signed on for a four-month contract. She plays for four hours a day and earns \$200 a month.

But before you decry the evil capitalist corporation exploiting the impoverished laborer, it's worth learning a little more. She receives free room, board and medical care. The cruise line also pays her way to the United States, so she can keep almost all of what she makes.

Two hundred dollars a month is nothing in America, but as Natasha will tell you it's good money in Belarus. One of the poorest and most corrupt countries in the world, there is minimal opportunity to improve your life there. If you aspire to something better, you've got to work somewhere else.

Most Americans can't imagine the idea of having to learn a new language and then leave the country just to improve your life. But that's a reality for millions of people like Natasha.

I never met Natasha until the cruise, and I'll never see her again. But working through the price system, we were able to interact in ways that left us both better off. Even though Belarus doesn't make anything better than America, the economic principle of comparative advantage means that we can still benefit from trading with one another. It means that my family's vacation is making possible the existence of a middle class in a country that otherwise might not have one.

I think I understand my professor a bit better now. It's not about facts and figures. It's about people living their lives. Economics is simply what happens when you let people decide for themselves what to do with what they have. Economics is everywhere, because people are everywhere.

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