

How Can We Better Encourage and Reinforce the Most Entrepreneurial and Talented Among Us? *A Symposium*



John S. Adams, Barry Casselman, Larry Colson, Kim Crockett, Devin Foley, Arvonne Fraser, Paul J. Gessing, Jake Haulk, John Kline, Ashley Landess, Dan McElroy, Peter Nelson, Grover Norquist, Robert Osburn, Donald P. Racheter, Deborah L. Ruf, Lyall A. Schwarzkopf, Steve Shipley, David J. Theroux, Grace-Marie Turner, Sandy Vargas, Lou Wangberg

Introduction by Mitch Pearlstein



Center of the American Experiment is a nonpartisan, tax-exempt, public policy and educational institution that brings conservative and free market ideas to bear on the hardest problems facing Minnesota and the nation.



How Can We Better Encourage and Reinforce the Most Entrepreneurial and Talented Among Us?

A Symposium

Introduction

Mitch Pearlstein
Founder & President

In an American Experiment symposium released last fall, 20 writers grappled with the question of what it would take for them to start or expand a business in a low-income neighborhood. A main rationale for that exercise was the economic fact of life that unless commerce in a neighborhood, or at least in its vicinity, is healthy, chances are that little else will be healthy either, including poverty rates, crime rates, and graduation rates, to pick just three gauges. The not-unrelated new question, considered here by 23 participants, is how we might better encourage and reinforce the most talented and entrepreneurial among us; a core motivation this time being the pivotal importance of creating many more jobs and much more wealth so as to enable the nation to make it through the coming decades of aging-boomer and entitlement-skewed exigencies.

Immediately begged by this construction, and as raised in the letter inviting an eclectic range of Minnesotans and other Americans to participate, are retorts like these:

Why would anyone even entertain such a topic when it will be the *least* equipped and lucky people—not the *most*—who are most likely to scratch, struggle, and suffer? Is this not precisely the time for government and other institutions (like think tanks) to concern themselves proportionately *less* with men and women and boys and girls who are best able to fend for themselves and proportionately *more* with those facing taller hurdles and often mountains?

These are fair questions, though I hasten to add that in no way am I suggesting that government and the rest of society abandon anyone in need. Nevertheless, I would strongly contend that it will be in everyone's best interests if the number of people capable and disposed to creating businesses—thereby creating critically important jobs for people of all stations of life—increases significantly. Or in matters other than starting companies, I would argue that we would all be better off if the “best and brightest” (purposely reemploying a loaded term to shake things up a bit) were somehow more effectively outfitted and enabled to do great things in service of the commonweal. This is so whatever such currently unknown “great things” might come to be.

To which skeptics—most likely on the right this time—might counter: To even the partial extent



we're talking about the public sector as opposed to civil society more broadly, how does this kind of conversation align with any accurate understanding of government's properly limited role, never mind its often problematic skill in actually accomplishing what it seeks to do? Obviously, this is another big roadblock for many.

As one might expect, virtually all essays overlap in multiple ways, but for the sake of this preface, three emphases dominate. The first can be roughly categorized as pertaining to matters of culture.

"To the task of encouraging the most entrepreneurial and talented young Americans," Barry Casselman writes, "it is vitally necessary to have a social, commercial, educational, and cultural environment in which they might thrive." Yet while the United States, for most of the last half-century, he argues, had one of the most "open, competitive, and egalitarian business, political, and social environments in the world," the country more recently has been swept into a worldwide preoccupation with artificial redistribution, not only of wealth but of opportunity, too. Replacing a culture of achievement in this way, he contends, doesn't necessarily block entrepreneurship and talent entirely, but it can "grievously inhibit them."

Larry Colson is of akin mind and disfavor when he writes, "Somewhere along the way, Americans stopped celebrating excellence. More importantly, we stopped expecting excellence. . . . With the notable exceptions of professional sports and entertainment, where talent is actively sought, routinely recognized, and richly rewarded, our society seems to have a certain level of disdain for successful people, especially for business leaders and entrepreneurs." In matching spirit, Jake Haulk claims that "academic and journalistic communities" have largely "sold out to the statist, collectivist vision, blind to the fact that their employers depend on a thriving private sector to fund them and their activities."

Don Racheter follows in an equally displeased fashion but suggests that in the same way Nobel

Prizes and MacArthur Genius grants are bestowed, we also should give medals to talented people who grow businesses. He also says we should have TV shows not just like "Who Wants to be a Millionaire," but rather, "Who is a Millionaire."

It's fair to say that Arvonne Fraser's keenest cultural concerns aren't necessarily congruent with those of Messrs. Casselman, Colson, Haulk, and Racheter, as she announces—right there in print for everyone to see—that she's a "political liberal." But while some of her assumptions are not theirs and vice versa, it would be silly to disagree when she writes that in order to "maintain and cultivate the entrepreneurial spirit of this country, both the public and our educational institutions must make room for and tolerate, perhaps even encourage, differences" and likewise be "open to the new and unconventional." Also right out there in print: Arvonne along with her husband, Don, a former congressman and Minneapolis mayor, have been valued friends for decades, and I'm grateful whenever they write for the Center.

Joining the cultural debate via a distant portal, Bob Osburn writes of how Puritans in Massachusetts were in fact "scientifically minded nation-builders who understood that the soul and sales are intimately linked, not separated as if sacred and secular were two wholly different and disconnected realities." Thus grounded, he jumps four centuries forward and argues what we really need is to rediscover the Puritans' gift of a culture in which "the entrepreneur and the preacher (rabbi, imam, or priest) need each other."

A number of contributors focus on how educational institutions and learning need to change. "I believe," Deborah Ruf writes, "our most worrisome achievement gap should be the performance gap we see *within each individual* rather than those between any *groups* of people." Society, she writes, benefits from the "support and nurturance of our brightest minds," suggesting reforms such as getting rid of grouping children by age, which "makes about as much pedagogical sense as grouping them by height." How would such a change aid the most

talented? Instead of wasting time, she claims, bright students would learn early on what they're capable of doing, alongside "true peers," the very people they'll eventually wind up working with and competing against.

Also in regards to especially bright boy and girls, Paul Gessing notes how federal education policies such as No Child Left Behind have "enshrined into law" the idea that the failure of a single child is a tragedy, and he notes that those same policies have nothing to say about "the even greater tragedy of the truly gifted children who lose interest in school or fail to reach their full potential because of a broken educational system."

Lyll Schwarzkopf makes a not dissimilar point when he writes that many schools pay inadequate attention to entrepreneurial and talented students, leaving many of them bored and worse. "Establishing entrepreneurial clubs in schools where students can exchange ideas and work on experiments can hone the skills and help expand the interests of these young people."

As "reforms" go, however, after-school clubs don't cut it for Devin Foley. "Indeed, reform is too light a word, as it indicates chipping away at the edges with school choice, charter schools, and similar endeavors." The entire system, he contends is "empirically a complete and utter failure," and should be "dismantled and rebuilt with the goal of educating individuals properly prepared for life in a free society." He sees home schooling and online learning as possible "models for individualizing education."

It's not that Dan McElroy doesn't think kindly about education, but he recognizes that being "book smart" doesn't guarantee winding up commercially on top. "My father used to tell a story about the guy in his high school class who would have been voted least likely to succeed coming back to a high school reunion in a big new car and fancy clothes. When he was asked about his success, he explained that he had invented a product he could make for two cents and sell for a dollar. 'Isn't it amazing,' he said, 'what a two percent profit margin can accomplish!'"

Then there is the role of government. Or much more precisely in the pointed view of several symposiasts, how its oversized role ought to be rolled back.

"Several centuries of history," Grover Norquist recounts, "suggest strongly that government can best encourage entrepreneurship and talent by protecting property rights, the rights of contract and free association, and by maintaining the rule of law. Oh, and a couple of other things: Getting the heck out of the way of free men and women running their own lives as they choose and avoiding stealing stuff from people who earned it through voluntary exchange."

David Theroux also scans history and the globe when he writes that entrepreneurship can be "fully beneficial" only to the extent that "people are free to channel their efforts into voluntary and cooperative ventures that create wealth."

"Americans," John Kline adds, "know how to make America work," and we can "unleash the entrepreneurial power of the American people only by demanding Washington get out of the way."

Most everyone is looking to entrepreneurs, Kim Crockett writes, to lift the nation out of the current economic "mess." Yet while a "daunting" job, it would be "no match for American private enterprise if the state would just get out of the way and stay there."

No less crisp, Lou Wangberg sums up at one point by saying "we should do as little as possible" principally by getting government to "stay out of the way."

Steve Shipley is of identical mind, though he argues such will be possible only after electing a "more pro-business, less nanny-state type of government" in November.

Bringing such strictures to more culpability sharing closure, Ashley Landess concedes it's "our own fault that politicians believe their job is constantly to 'do something' about every problem in our daily lives. We shouldn't be surprised that politicians behave as

they do when we let them tell us they'll 'fix things' for the small price of power."

A final group of columns might be considered a potpourri of five discrete ideas; a category otherwise known as "Other."

In the matter of ObamaCare, Grace-Marie Turner sounds a Code Blue. Instead of encouraging creative commerce, she writes, the new law "inflicts more paperwork, higher taxes, higher costs, and more mandates on small businesses that are the lifeblood of the American economy," resulting in a constricting of "entrepreneurial drive, determination, and ingenuity."

John "Chuck" Chalberg also takes exception to a presidential initiative: the current administration's "nudging" as many young people as possible into careers in public service. As admirable as such paths may be, he would like to encourage "both the Obama administration in particular and young people in general to develop a more comprehensive understanding of public service." After all, Chalberg argues, the genus is not composed of educators, social workers, politicians, bureaucrats and the like alone. "Entrepreneurs can be public servants as well—indeed, they are public servants."

As he has done before when writing for the Center, John Adams discusses ways in which various public policies since World War II have subsidized suburban and exurban communities more generously than those closer to urban cores. Such skewing, he writes, continues to provide unearned profits and other benefits to favored areas, diluting incentives to innovate there—while "dispirited" inner-cities and inner-suburbs lose the "very populations and businesses most likely to innovate and develop talent, were the rules of the game revised."

A saving grace here, as Sandy Vargas might put it, is the "entrepreneurial assets" immigrants bring to Minnesota and the rest of the country, "opening businesses with their own ideas, their own culture, their own capital and sweat equity, and often without having access to much traditional business

assistance." She describes immigrants as having "entrepreneurial aspirations" higher than those of the "native-born population" and making essential contributions in vitalizing less attractive urban, suburban, and rural locations.

Finally, especially since these symposia are always on the lookout for extra-imaginative analyses and recommendations, I'm happy to report on the entry of my American Experiment colleague Peter Nelson. "I posit that larger families," he writes, "are generally better at imparting the character traits and practical abilities necessary to be a successful entrepreneur because parents with more children to manage are less likely to micromanage their children's lives." In this light, he proposes eliminating the federal tax credit for first and second children, substituting instead a larger, \$3,000 credit for a family's *third* child. Having a more substantial tax benefit kick in only after having a third boy or girl, Peter hypothesizes, would "certainly push parents to think a bit more positively about adding that inconvenient fifth wheel to the family—and maybe even a sixth for balance."

My great thanks to all 23 of our writers, as well as Peter Zeller for organizing and getting the invitations out, Kent Kaiser for copy editing, Peter Murray for formatting, and Britt Drake for assorted final-round assignments. As with everything American Experiment does, I very much welcome your comments. And as for links to previous AEQ symposia, including the most recent on economic fears, please visit www.AmericanExperiment.org.

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Choose the Right Growth Model

by John S. Adams

Developing and maintaining healthy, competitive regional economies depend on entrepreneurship, on the development of human capital, and

on competitive businesses and industries. Entrepreneurial talent develops within regional economies that nourish the development of talent and human capital. Healthy regions and successful entrepreneurs reinforce each other, but when a regional economy has “more takers than makers,” to use Congressman Paul Ryan’s phrase, entrepreneurship suffers.

Three Growth Models

There are three main ways by which a region obtains income, but only one yields sustainable long-term results and strengthens the region’s balance sheet.

Expropriation. The first depends on expropriation. A famous example from history is the “Pittsburgh-Plus” steel-pricing cartel of the 1880s, cooked up by Andrew Carnegie, J.P. Morgan, and others to punish the South after the Civil War and prevent competition from potential steel production at Birmingham, Alabama and elsewhere.

The robber barons decreed that steel produced and sold anywhere in the United States would carry a price equal to the price of steel produced at Pittsburgh—plus the transportation cost to any domestic market. Steel producers, say in Los Angeles, were forced to charge the Pittsburgh-Plus price. Pittsburgh got rich and fended off competition for years. If any steel producer failed to cooperate, the Pittsburgh magnates ran them out of business. Meanwhile, the Pittsburgh regional economy boomed.

When monopolies and oligopolies curtail competition and charge prices higher than a free-market price, buyers are robbed, but the robbers make money. They don’t earn it; they make it. The expropriation model works—for a while—but it’s wrong. It eventually weakens regional balance sheets, curtails incentives for entrepreneurship, and discourages local talent. Why innovate if you can be handsomely rewarded doing routine things in routine ways while protecting your position through political influence or other means?

Luck. In the second model, a region trades unearned wealth for imported products and services. It’s based

almost entirely on luck. Like the expropriation model, it involves making money (i.e., transferring wealth) rather than earning money (i.e., creating new wealth). Entrepreneurship and serious talent are not needed.

An outstanding recent example is Dubai, on the Persian Gulf, which, until the recent financial meltdown, planned to use unearned petroleum dollars to build an indoor ski resort on a 120-degree desert. A modest effort on the part of Dubai yields enormous unearned wealth because they sit on an oil patch and get to harvest oil wealth—what the 19th century economist David Ricardo called “economic rent.”

Entrepreneurship. The third model is based on entrepreneurship, creativity, and hard work. Remember the old Smith-Barney advertisements: “We make money the old-fashioned way: We earn it.” This is an innovation and production model.

Examples include New England manufacturing towns after 1843, which made clocks, firearms, sewing machines, cotton gins, spinning machines, automatic looms, and steam engines and sold them in competitive open markets; Minneapolis, which featured flour mills and wood products manufacturers after 1870; Detroit, with its automobile companies in the 1920s; or Silicon Valley, with its technical inventions in the 1980s.

Developing Human Potential

Question: How can we encourage and reinforce the most entrepreneurial and talented among us? And what does that have to do with a region’s income sources?

Answer: Limit opportunities for unearned profit from the first and second models (expropriation and luck), and thereby enhance rewards for the third (entrepreneurship).

To change, we must understand the contexts within which work is done. One is the industry or profession within which work is done. The other context is regional—where the work is done. The contexts



overlap when part of an industry concentrates in a region, like automakers in the Detroit region, or medical care in the Rochester region.

If work environments are competitive, incentives are appropriate, and pricing systems are fair, then imagination and entrepreneurship are stimulated. Think of the computer industry between 1950 and 1970 or the software industry today. Alternatively, if work environments protect and reward producers in the absence of competitive pressure (e.g., import restrictions, monopolies, pricing cartels, barriers to enter professions, etc.), imagination and entrepreneurship tend to stagnate.

Consider the three models—expropriation, luck, and entrepreneurship—and how they apply at different geographical scales. At the global scale, recall how England repressed manufacturing development in the American colonies in the 18th century. Raw materials—food, cotton, tobacco, timber, naval stores, etc.—went to England, and manufactured products returned to the colonies. The Crown prohibited the colonies from competing with producers in England; therefore American entrepreneurship and economic development stalled.

Removing constraints through revolution and independence freed American talent to develop its potential. In a similar vein, think of international migration today whereby talented, imaginative, energetic young people—constrained from reaching their potential in their home countries—flourish as workers and entrepreneurs in the United States.

At the national scale, some states feed growth in other states. One way is through the federal budget whereby taxes from local earnings go to Washington while federal spending returns to states. Certain states get back almost two dollars for every dollar paid out, while some get back only 60 or 70 cents.

Regional economic expansion and local worker mobility can facilitate entrepreneurship and talent development, but they also can make it easy to prosper

without working or thinking very hard. Meanwhile, costs are incurred by the places that are net donors. Local balance sheets improve in the receiving region, but some of those gains are offset by uncompensated losses among the donors. And the extent of long-term net gain for the country is debatable.

At the metropolitan scale, each economy competes with others, domestically and internationally, but in different ways. American history provides plenty of winning and losing regions illustrating the different models:

- Stodgy St. Louis after the Civil War—looking backward—bet on steamboats, while lucky, smart Kansas City looked ahead and bet on railroads.
- Sunny South Florida won by being lucky, importing pensions, savings, and human capital from other states, and exploiting natural resources like the Everglades that it did not have to pay for and chooses not to protect.
- Lucky Houston boomed in the 1980s because oil prices went through the roof, while unlucky (and stodgy) Detroit saw gas-hog car sales plummet, prompting unemployed auto workers to pack the station wagon and move their families to Texas.
- Lucky Washington DC's regional economy boomed as the government industry began a relentless expansion beginning in the 1930s.
- Smart Silicon Valley became the poster child for research, development, entrepreneurship, and the development of serious human capital.
- Buffalo, Charleston, Cincinnati, and New Orleans were smart or lucky in one era and prospered only to languish later. Some believe that the Twin Cities region may be slipping into this category.

At the intra-metropolitan scale, a long list of subsidies promoted low-density residential and commercial development on greenfield suburban sites since WWII rather than reinvestment in existing-settled areas of central cities. Subsidies made it irresistible for households and businesses to relocate outward from the older-settled places to greenfield sites.

New residents and adjacent businesses receive much for which they don't pay full price. Growing edges gain, receiving unearned profits and other benefits, diluting incentives to innovate. Meanwhile, dispirited inner-city and inner-suburban areas are uncompensated when losing the very populations and businesses most likely to innovate and develop talent, were the rules of the game revised.

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Restore or Repress?

by Barry Casselman

The theme of this symposium is the encouragement of the most entrepreneurial and talented young citizens of the nation. I would suggest two general principles in assessing this subject.

First, to the task of encouraging the most entrepreneurial and talented young Americans, it is vitally necessary to have a social, commercial, educational, and cultural environment in which they might thrive. The United States has had for most of the last half-century one of the most open, competitive, and egalitarian business, political, and social environments in the world. Recently, however, the nation has been swept into the worldwide preoccupation with artificial redistribution not only of wealth but of opportunity. A culture of political correctness has replaced a culture of achievement. In a free and democratic capitalist society, this does not necessarily totally block entrepreneurship and talent, but it can grievously inhibit them.

It needs to be said that the leadership of those who insist on imposing contrived egalitarianism, redistribution, and reparation also deny the fundamental competitive nature of human enterprise. They, in effect, want to “wish competition away” and to interfere legislatively and arbitrarily with it so that their goal of finally eliminating it might be realized. This approach was attempted numerous times in the past century with various socialist and communist governments and nations, and it was always necessary for those governments to be authoritarian and totalitarian, because the behavior they wanted to impose is contrary to basic human impulses. All these states were or became anti-democratic, and eventually the aristocrats and elite of the past were replaced with new ones who were, in fact, the government officials and their coterie themselves. In order to impose the will of their “new” ideas, they inevitably had to resort to police power.

Second, in discussing outcomes for young women and men, it is always necessary to examine education systems and institutions. Here, again, the forces and ideas of imposed egalitarianism, redistribution, and reparation have increasingly superseded the long-standing principles of American education. Those principles included the goal of providing an excellent public education to young Americans of all walks of life, including those who might not be able to afford or attend private schools. American education has not only transformed its administrative nature away from treating students and their families as the “clients” of public education, it has altered the curricula of public education to fit arbitrary political criteria. This has taken place at all levels of public education, but none has been more confining than the teaching in the humanities and so-called liberal arts programs in many prominent American colleges and universities.

The leaders of Center of the American Experiment have, since its inception, made a deliberate focus on the condition of American education. For specific remedies, I defer to them and others who recognize there is a crisis, understand it, and want to do something to fix it.



It is not “bad” that our young people face obstacles and problems. The current distortions in American education are matters they will have to address when they are no longer students and can do something about them. Yet the present circumstances cry out for fundamentally new approaches and the restoration of successful educating premises now. The generations that permitted the slide of American education and American opportunity into mediocrity and paralysis will have to act soon if the incentives, opportunities, and even the freedoms for our newer generations are to be enabled to revive and prosper.

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Of Nudgers and Encouragers

by John C. “Chuck” Chalberg

In these days of “e” this and “e” that, let me begin by stipulating that I am a longstanding member of one “e” group (educators) and have very limited experience with another (entrepreneurs). Let me turn to another “e” word that demands our attention. That would be the verb that drives our charge in these pieces, namely the word “encourage,” which not coincidentally contains a powerful noun, *courage*.

Today the verb that seems to be driving so much conversation and policymaking on the left is an “n” word, “nudge.” Advocates of nudging seek to put government to work, herding citizens (sheep?) in government-approved directions. The idea apparently is to nudge citizens to behave as the nudgers think they should behave. In other words, “nudge” is really a fudge word in that it seeks to disguise the intent and goals of those who are doing the nudging. Not so the verb “encourage,” and especially not so when the idea is to encourage entrepreneurship. Here the goal is not to steer people toward some preconceived end but to unleash people to follow their own talents and dreams. Here

the “oughts” and “shoulds” of the nudgers give way to the “mights” and “maybes” and “what-ifs” of the encouragers.

So where do we educators fit into all of this verbiage? Two thoughts come to mind. The first has to do with what already goes on (or doesn’t go on) in classrooms; the second concerns what might transpire between high school classrooms and their college counterparts.

Before turning to what might happen in or away from classrooms, a brief confession is in order. As a young teacher of American history, I once tried to make sure that my students understood what amounted to the Matthew Josephson “robber baron” version of American history. No more. This is not to say that history teachers ought to turn the Carnegies and Rockefellers and, yes, James J. Hills into untarnished captains of industry, but we could do a much better job of pointing out what now strikes me as obvious—namely, these are the very people who have created real wealth and, yes, engineered real change. What could be more encouraging than that?

We could also do a better job of pointing out that the best sort of government support (encouragement) for entrepreneurs is simply to make sure that the economic rules of the road are clearly understood and enforced. There was a reason that Ronald Reagan restored Calvin Coolidge to a place of prominence in his Oval Office. After all, Coolidge understood that real, significant, even lasting positive change is more likely to happen when politicians get out of the way of producers of change. More often than not, when politicians themselves try to be agents of change, they wind up imposing (rather than simply nudging into being) their own vision of change.

When it comes to college classrooms, our current president seems to want to nudge as many young people as possible into them as quickly as possible and keep them there for as long as necessary. Far be it for me to cut my own throat, but I’d like to encourage high school graduates to consider very seriously taking a break from school before heading

to college. Who knows what might happen during that year or perhaps even two? And that's my point. "Might" is an encouraging word, isn't it?

Of course, some people may decide never to give college a try, and that may not necessarily be a terrible thing. After all, entrepreneurship comes in a variety of packages, and every society has a wealth of needs and opportunities, only some of which can be realized via a college degree. I have been a college teacher for many, many years. I have looked at the faces, the body language, and the academic work (or lack thereof) of countless students. In all sorts of ways, they have been trying to tell me that college is not for them—at least not now and maybe not ever.

These students are not without talents. We ought to be encouraging those talents, whatever they might be. In any case, we also ought to be encouraging both academically talented people and those for whom academia is a pain in the neck to give the larger world a longer look and a good try when high school is over. Who knows what might happen? The idea is not to discover the next Rockefeller or Hill. Rather, it's to encourage young people to discover their own talents while simultaneously learning to appreciate the dual values of work and entrepreneurship.

Much is made these days of the virtue of public service. In the name of such service, the current administration seems bent on doing what it can to nudge as many young people as possible onto this path. Forging or reducing student loan obligations is a good example of this bent.

I'd like to counter such blatant nudging by encouraging both the Obama administration in particular and young people in general to develop a more comprehensive understanding of public service. After all, why should the category of public servant be confined to educators, politicians, social workers, bureaucrats, and the like. Entrepreneurs can be public servants as well—indeed, they are public servants. Without them, our budgetary capacity for traditional public service projects would be significantly smaller.

In sum, we must nurture the virtue of courage in the young, including the courage to find their own paths in their own ways. There is no better way to do this than to use classroom time, especially high school classroom time, to tell stories of courageous risk-takers and their place in the larger American story. When high school is over, we might well encourage those same students to escape the classroom—at least for a time, especially if they plan to use that time to explore their own talents, large and small, hand-driven and brain-driven—as they begin to find their own place in the larger American story.

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Expect Excellence

by Larry Colson

Somewhere along the way, America stopped celebrating excellence. More importantly, we stopped *expecting* excellence. It begins early, with parents. We all know parents who accept virtually any behavior from their children, shrugging it off as "kids will be kids" or worse, not even recognizing that their children's behavior is a problem. Imagine your own father's reaction if you had done what many kids today routinely get away with. I suspect it would not have been pretty.

Low expectations are also reinforced in our public schools. Teachers are handcuffed by policies that require the promotion and graduation of students, even when minimum testing requirements have not been met. Education officials have seemingly decided that they would prefer to concentrate on the left side of the bell curve; thus we spend far more resources trying to move the twos and threes up to a five than we do trying to bring the sevens and eights up to a ten. In my own children's school, there are numerous classrooms that have assistants to help children with special needs, yet in the entire



school, there is only one teacher who concentrates solely on the segment formerly known as “gifted children.”

In our attempt to become a quasi-egalitarian society, we focus on equality of outcome rather than equality of opportunity. Afraid to hurt anyone’s feelings, we routinely give medals and trophies to everyone, regardless of outcome. We pretend that the kids don’t know who the winners and losers are, but they know. Just ask them. Or better yet, watch when they pick teams for a competitive event, when such an event is even allowed.

Many of us reinforce lackluster performance daily without even realizing it. When is the last time you tipped someone who did little more than provide you with the product you purchased? Tip jars have become ubiquitous; I’ll know we’ve reached saturation when I find one at the end of the communion line at church. Not long ago, 15 percent was largely recognized as a great tip. Today, many of us tip 15 percent for barely adequate service, establishing that minimum level of performance as the new standard. The word TIPS, believed to be an acronym for “To Insure Proper Service,” really ought to be TIPSS: “They Insist on Payment for Shoddy Service.” We have moved from a meritocracy to a mediocrity—acceptance and even reward of the mediocre.

As we lower the standard for the bottom, we increasingly vilify the successful with words like “capitalist” being thrown around like just another four-letter word. In a recent rare moment of candor, President Obama made the statement: “I mean, I do think at a certain point you’ve made enough money.” Left unanswered and to be considered by future philosophy majors was, “How much money is enough?” His administration likely has already answered that question and is moving toward enforcing it, but the message to the citizens is clear: It’s okay to be successful, just not “too successful.”

With the notable exceptions of professional sports and entertainment, where talent is actively sought, routinely recognized, and richly rewarded, our society seems to have a certain level of disdain for

successful people, especially for business leaders and entrepreneurs. As a known conservative, I was once engaged by a neighbor about the unfairness of the income disparity between a particular CEO and the average employee at his company. Didn’t I agree that this CEO made too much money? I replied in the negative, and asked my adversary if she thought that Oprah, Tiger Woods, or Barbra Streisand made too much money? “They’re different—they earn their money” was the reply I received—an attitude I fear is far too prevalent, especially among the “educated” in our country.

While attending a local youth baseball tournament recently, I saw a young man with a t-shirt that proclaimed “Second Place is Just the First Loser.” I loved that, as did all the ten-year-old boys I was with who were competing in the tournament. The boys clearly understood that message in the context of the baseball tournament. I’m left to wonder if they think that way about other areas of their lives, areas that are of far greater impact, given the extremely low-percentage chance they will end up making baseball a career. I hope that they do seek excellence in areas besides baseball, but given the message our culture is sending them about excellence, I’m pessimistic.

If we truly wish to encourage and reinforce the most entrepreneurial and talented among us, and I question if we as a society really have the fortitude and interest to do so, the first step must be to expect excellence and reward nothing less.

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Entrepreneurs and Lilliputians

by Kim Crockett

In 1942, Joseph Schumpeter agreed with Karl Marx that capitalism would collapse from within and be replaced by socialism, but not in the revolutionary

way old Karl predicted (and not quite the way Schumpeter predicted either, but his insight is still compelling). Schumpeter described a great irony that is playing out now: Capitalism contains the seeds of its own destruction.

The great, private wealth generated by a free marketplace is now used by the state to support a progressive, socialist vision. Simply put, capitalism is funding socialism and it is capitalism—not the state—that is withering on the vine. The power of the state to tax and regulate, combined with its insatiable appetite for cash and authority, is discouraging our entrepreneurial spirit and creating great uncertainty. The intellectual elite, so hostile to democratic capitalism yet dependent on its wealth and liberal spirit, campaign relentlessly against business through their domination of the media, academia, and the arts. Our dear fellow citizens, with a growing, sometimes militant, sense of entitlement, vote for candidates who promise to take the risk out of life at someone else's expense.

Private enterprise and taxpayers (a much smaller group than citizens, many of whom do not pay federal taxes) are laboring to support a massive, corrupt bureaucracy, which directly or indirectly employs a significant percentage of the population and thus grows unchecked by the democratic process. Public employees now enjoy greater salaries and benefits than their counterparts in the private sector. Government, currently our leading growth industry, has run up deficits both annual and structural that stagger the imagination. The modern corporation, though nimble and innovative, often joins the government and its political enemies at the table in order to avoid being on the menu.

We are talking about encouraging entrepreneurs in this symposium because most everyone is looking to them and economic growth to get us out of this mess, which, while daunting, would be no match for American private enterprise, if the state would just get out of the way and stay there. Right now, the entrepreneur is like Gulliver on the beach, trying to get up but unable to do so because he is tied down by the Lilliputians.

The financial crisis and ensuing recession were caused largely by government-created obscenities like Fannie Mae and Freddie Mac. Yet President Obama and Congress pile on bailouts and stimulus spending, new regulatory schemes, and massive legislation based on faulty premises and bad science (e.g., ObamaCare, Cap and Trade). All of this only further distorts markets and adds to the cost of business. An arrogant and guilty Congress dragoons executives with its subpoena power to deflect attention from its central role in our economy's collapse. Senators Barney Frank and Chris Dodd should be tarred, feathered, and run out of town on a rail. Instead, they are still calling the shots, though Dodd's impending retirement (and other political shake-ups) may be a sign that all is not lost.

Will we prove Schumpeter wrong and at least extend the greatest experiment in freedom and prosperity for the next generation? This Congress is hostile to free markets, and the courts abandoned economic rights long ago. President Obama would like the economy to recover, but only so he can fund an enlarged welfare state.

Therefore, to whom can we turn to defend American enterprise and free the entrepreneur? The people, We the People.

Liberals and conservatives alike must familiarize themselves with the concept of a limited federal government of enumerated powers. We must elect representatives who understand that means rolling back the state. We must reinvent core services, including K-12 education, while shifting social services back to an already vibrant charitable sector. Public pensions, the big daddy of icebergs for the ship of state, must be reformed. We the People must get our hands out of each other's pockets so our children do not have to work like mules for the state while dwelling in the mediocrity of socialism. We have tipped, but we have not yet fallen.

Kim Crockett is the president and general counsel of the Minnesota Free Market Institute.



“Reform” is Too Light a Word

by Devin Foley

As I was growing up, my family was involved in several small-business ventures—some were successful and some were not. From those experiences, I’ve certainly seen what’s required to make a business endeavor prosper; I’ve also seen the impediments to success. Since then, I haven’t had much experience in the for-profit world, as prior to taking the reins of Intellectual Takeout, I was a fundraiser for nearly ten years, mostly at Center of the American Experiment.

As a fundraiser, I did have the rare opportunity to visit with some of the great entrepreneurs of Minnesota, to tour their facilities, and to get just a glimpse of what it takes to be successful on a grand scale. Over the years, I’ve been particularly amazed at the humble beginnings of so many of the brighter lights in our state. I’ve learned a lot about business and success from watching Minnesota’s titans of industry. One story in particular sticks out in my mind as quite relevant to this symposium on entrepreneurship.

While visiting a business in Minnesota, I learned how the owner got to where he is today—heading a multi-national company with hundreds of employees and gross revenues in the hundreds of millions of dollars. He told me of a young man who graduated from high school and decided he should get a job. This young man went to a local company and applied for employment. As part of the application process, he had to take some tests to assess his personality and intelligence (in those days, companies could more readily do such things). Through the process, company officials saw something they liked and offered him a job.

At this point, if you’re thinking that the job for that high school graduate was mopping floors or helping in the mailroom, you’re wrong. Based on his responses to the testing, this young man was sent to one of the company’s departments plagued by inefficiencies. Tasked with studying the department

and then figuring out how to improve operations, he did just that. The company, pleased with his successful recommendations, began to move him around its internal operations to do similar tasks. Over the years, he learned the company business, climbed the ranks, and became the head of the company.

Slack-jawed by the story (there were more details than space allows), I asked this titan of industry, “If you came to the company today, could the same thing happen?” And it was at this point that the light in the man’s eyes dimmed. He shook his head and softly said, “No.” According to this man, today’s laws, regulations, and liabilities prevent his company from using the tools of the past to find diamonds in the rough like him. And so it was that the strangling of entrepreneurship and the extinguishing of freedom in America became more real to me.

If academics, educators, policy wonks, and politicians want entrepreneurship, then they must let go of the American people.

We have a three-fold, systemic problem:

- A top-down, collective mentality permeates academic, public policy, and media circles, which heavily influences lawmaking. Too many influential individuals succumb to the temptation to “plan” the direction of the country, forgetting that it is individuals who have been primarily responsible for the world’s technological and entrepreneurial successes.
- Historical evidence shows that the progressive education system is purposefully designed to instill conformity to the goals of society rather than to instill individualism. As individuals are gathered together and moved as a unit through the system, there is very little tolerance for deviation in learning or accepted practices. Yet entrepreneurs seem to be innately built to deviate from accepted norms and need the freedom to do so.

- Government, intentionally or not, has quashed the freedom necessary for individuals to run with their ideas and dreams. If we want entrepreneurship, why make things harder for individuals and business? For entrepreneurship to bloom again, real freedom is necessary.

There is no easy way to dig ourselves out of the position we are in, because many powerful, well-funded interest groups will fight to maintain the status quo. Still, our foremost goal should be fundamentally to reform education in America. Indeed, reform is too light a word, as it indicates chipping away at the edges with school choice, charter schools, and similar endeavors. The entire system, empirically a complete and utter failure, should be dismantled and rebuilt with the goal of educating individuals properly prepared for life in a free society. The successes of home schooling and online learning should be considered as models for individualizing education.

America is still unique in the world, and while freedom is dim today, it is not fully extinguished. For over 200 years, our nation has been the engine of growth and prosperity for the world. The Colonists and Founders established a country with the rule of law and the opportunity for individuals to pursue their own happiness. Let us recommit ourselves to a country built on the noble ideal that individuals of all races and backgrounds can have some place in the world to pursue their creative instincts and, in so doing, benefit us all.

Devin Foley is president of Intellectual Takeout, IntellectualTakeout.com.

Flouting Convention

by *Arvonne Fraser*

Consensus and conformity are the bane of entrepreneurs who dare to be different, take risks, and think critically and creatively. They dream and plan. To find investors, they have to be persuasive.

This requires describing, with clarity and conviction, their product and why it will sell. They cannot be distracted or discouraged by naysayers or bow to conventional wisdom.

While my dictionary says an entrepreneur “organizes, operates, and assumes the risk of a business venture,” it also refers me to the word “enterprise” whose first definition is “an undertaking of some scope, complication, and risk.” Thus, entrepreneurs exist not just in the business arena.

I will never forget a meeting I attended years ago in Washington, DC. Some women who had started feminist organizations in the 1970s were analyzing their successes. One participant characterized us as entrepreneurs, noting that when our undertaking neared the institution phase, many of us got bored and moved on. Her comments were greeted with smiles, because they fit. Entrepreneurs relish challenge, find it exhilarating, and are ready to pass the baton when the danger of losing your shirt—or in this case, skirt—has passed.

Educating for entrepreneurship is probably impossible, for entrepreneurs are like musicians. A person can be taught to play, but playing music and being a musician are two different things, as every music teacher knows. One requires learning; the other is indefinable, but you know it when you hear it. The challenge for teachers and educational institutions is to value and encourage learning while not destroying the spirit or spark that allows for improvisation, the essence of entrepreneurship.

The United States is known for its entrepreneurial spirit, but we are in danger of losing it if children continue to be “taught to the test” and teachers are judged only by their students’ yearly performance. Good teachers—and all parents—know that children are born with or develop different kinds of intelligence and learn in different ways. Learning by rote or only to do well on standardized tests does not breed entrepreneurs.

As the mother of two business entrepreneurs—one in real estate, the other in computer technology—



I've been fascinated by how they learn by doing, by experimenting, and by challenging themselves and others, including their parents, who, of course, are pushed to become investors. Mine weren't the best students by conventional standards, but they were obsessed with learning, in their own, sometimes arcane, way or area. Always thinking and always planning their next ventures, they exulted in overcoming obstacles and grabbing or creating opportunities. When they needed help, they went and found it. Determined to achieve their objectives, they scorned, often flouted, convention.

Watching other entrepreneurs in both the for-profit and nonprofit sectors, I've seen similar characteristics. As a political liberal, I've admired, envied, and lamented the success of Center of the American Experiment. As an investor and Mac devotee I've kicked myself for not buying Apple years ago.

To maintain and cultivate the entrepreneurial spirit of this country, both the public and our educational institutions must make room for and tolerate, perhaps even encourage, differences. We must be open to the new and unconventional. This is not always comfortable. Although the preamble to the Constitution does mention insuring "domestic tranquility" and promoting "the general welfare," we must see these not as opposites but as corollaries. This country is the most diverse in the world, which may be why we are also the most entrepreneurial. To demand consensus and promote conformity promotes neither tranquility, nor the general welfare, nor the entrepreneurial spirit.

Arvonne Fraser is a senior fellow emerita at the Humphrey Institute of Public Affairs at the University of Minnesota.

An Afterthought at Best

by Paul J. Gessing

The question of how to spur the best and brightest people to continue and expand their efforts to

improve our lives is an oft-ignored question in today's world. Many government policies—especially those relating to education—are geared exclusively to improving the lot of those least among us who are struggling to make it. Thus, encouraging those who have the biggest brains and the best ideas is an afterthought at best.

What can be done to change this? First, we must alter our political culture to embrace excellence and the entrepreneurial instinct once again. Too often, the media and popular culture paint people who excel in their fields or who are wealthy as pariahs or dishonest, scamming the rest of us. While there are certainly examples of this behavior, as we've seen recently on Wall Street, this is the exception, not the rule.

Also, while it is lost on most people, we all benefit greatly from the work of the most talented among us. Whether it is Bill Gates, Steve Jobs, or the guys at Google, their talents benefit us in terms of increased productivity and higher living standards.

Changing the cultural attitude that superior talent and wealth are bad and getting average citizens to understand how we all benefit from talent and entrepreneurship will be no easy task, given the influence that Hollywood and Washington have on our culture. Nonetheless, films like *The Call of the Entrepreneur* by the Acton Institute and other cultural offerings, even reaching back as far as Ayn Rand's *Atlas Shrugged*, can counteract the anti-excellence bias, if their message is spread as widely as possible.

Unfortunately, those of us wishing to spur talented people and entrepreneurs to bigger and better things face a number of obstacles beyond culture. Most important among these is the government-run education system, which undoubtedly does more to kill excellence than any other single institution in American life. Their socialistic nature is a deterrent to excellent teachers and the most capable students.

By definition, the socialistic nature of public schooling embraces mediocrity and stifles creativity.

Furthermore, federal policies like the No Child Left Behind Act have enshrined into law the concept that the failure of a single child is a tragedy, but these policies have nothing at all to say about the even greater tragedy of the truly gifted children who lose interest in school or fail to reach their full potential because of a broken educational system.

What can be done to get the schools to spend the time and resources necessary to get talented students to achieve their full potential? Obviously, a cultural change, as outlined above, would help. Short of that, educational reforms that embrace school choice and allow schools to tailor themselves to student needs would be important steps forward.

Charter schools targeted at more talented students, magnet schools, alternative teacher certification, and paying teachers for performance are all specific reforms, currently on the table in many states, that hold great promise in terms of enhancing performance among highly talented students.

Of course, K-12 is not the only educational system failing our most talented students. Higher education, while significantly better than K-12 due to its more competitive, less socialistic nature, also suffers from an inability or unwillingness to free top-flight students to excel. For starters, the tremendous cost of a top-flight higher education is a significant deterrent.

Public universities, in particular, have seen an arms race in terms of student amenities, sports arenas, and other accoutrements with tenuous (at best) relationships to actual education. This has resulted in year-over-year cost increases approaching double digits.

Focusing on culture and some specific, systemic education reforms represents only a small portion of the full array of issues facing our society's most talented and ambitious members. There are obviously dozens of tax and regulatory issues that to a greater or lesser extent hinder these people as well. Nonetheless, making our culture more accepting of exceptional talent and gearing our educational

system to serve them as well as it attempts to serve those who struggle will go a long way towards allowing all of us to share in the tremendous talents that certain members of our society possess.

Paul J. Gessing is the president of New Mexico's Rio Grande Foundation.

Loathing the Hand that Feeds Them

by Jake Haulk

I would begin by separating the entrepreneurial and the talented unless we are talking exclusively about entrepreneurial talent. Many people have tremendous math, scientific, or other skills but have little or no talent or inclination to become business owners.

To be sure, we should encourage all people to become productive, self-sufficient, and honorable citizens. That is a given. For me, the question at hand is whether strongly entrepreneurial individuals need special encouragement and, if so, what kind and from whom?

Successful entrepreneurs of my acquaintance tend to be highly motivated ("driven" may be a better word), independent, innovative, goal oriented, able to overcome obstacles, and visionary. They would be lost without a challenge. Their backgrounds are diverse, but their stories of how they came to be entrepreneurs all seem to have one thing in common. Except for those being groomed to take the reins of a family business, at some point the entrepreneurs realized they could not be happy working for someone else and usually had an idea of a product or service they could build into a profitable enterprise.

Some made the move despite warnings and pleadings not to take the step. Many suffered failures and setbacks. All persevered.

Does this lead me to a conclusion about whether



to encourage entrepreneurs? Indeed it does. If the nation wants to continue to be an economic power, it is essential that free enterprise be the centerpiece of our national economic policies.

The framework of free enterprise consists of the rule of law, market competition, property rights, and contract enforcement. The heart of free enterprise is entrepreneurship. The framework is established through the Constitution and statutes. The heart flows from the yearnings of people seeking a better, richer, and more rewarding life.

Entrepreneurism should be lauded by the public sector and extolled by the private sector. Just the same, we need not have the government trying ham-handedly to promote individual entrepreneurs. That is self-defeating in the long run, as it makes entrepreneurs reliant on government help and weakens the true entrepreneurship that involves risk taking and being independent. Beyond that, it is too easy for government officials to pick and choose the industries or types of businesses they want to see flourish, rather than relying on the markets to determine the successful companies and industries. We have seen all too often that government interference ends up wasting enormous sums of money.

Government's role is one of maintaining the framework, removing artificial barriers to entry, minimizing tax and regulatory burdens, and otherwise getting out of the way.

At the same time, the private sector, private institutions, schools, and colleges should teach and value the role of entrepreneurship in our country. In far too many instances, particularly in universities, union halls, and some churches, free enterprise and entrepreneurship are savaged on a regular basis for creating injustices, unequal distribution of wealth, etc. The academic and journalistic communities have by and large sold out to the statist, collectivist vision, blind to the fact that their employers depend on a thriving private sector to fund them and their activities. Like snarly, ungrateful teenagers, they bite and loathe the hand that feeds them.

Another reason to support and encourage entrepreneurship is to provide a strong countervailing force to gigantism in corporations. Giant corporations tend to become too cozy with government, and their highly specialized employees become increasingly removed from economic realities and lose, if they ever had any, their understanding of the proper role of government in the economy. This is especially true of unionized workforces.

In summary, my answer to the question posed at the beginning of this essay is: Create and nourish an environment in which entrepreneurs are welcomed and valued. They will do the rest, and we will all benefit from their efforts. Entrepreneurs are the engine of growth in a free society. We must recognize that through our words and our policy actions.

Jake Haulk is president of the Allegheny Institute for Public Policy.

Letting Americans Do for Themselves

by John Kline

Throughout our nation's history, we have witnessed great moments born by simple truths. One such moment took place 30 years ago when Ronald Reagan urged the country, trapped in a deep recession with rising unemployment and skyrocketing inflation, to believe it could be morning again in America. He declared government wasn't the solution to our problems; it was the problem. To encourage and support the most entrepreneurial among us, we must look not to what Washington should do, but to what it must not do.

First, Washington must not stack the deck against workers and in favor of special interests. Government is supposed to ensure a level playing field that rewards success based on hard work and personal sacrifice. Today, we have an administration, instead, determined to advance a culture of union

favoritism to benefit big labor bosses and leave behind the well-being of rank-and-file workers.

Whether it is stripping workers of their right to a secret ballot or weakening rules meant to shed light on how labor organizations spend workers' dues, unions are gaining the upper hand, and workers are paying the price. As unemployment continues to hover near ten percent, job-killing policies like "card check" will slow our economic recovery and prolong the pain of America's families.

Washington also must not get in the way of parents and local education entrepreneurs in ensuring that every child has access to a top-quality education. Academic achievement is a critical building block to a lifetime of success in the workplace and home. Too often, federal rules and bureaucratic mandates stifle educational innovation and local responsibility. The results are parents with fewer options to act on behalf of their child's education and students who lag behind.

At a time of fierce global competitiveness, our children deserve every opportunity to succeed in the classroom. Today nearly 5,000 charter schools serve an estimated 1.5 million students. Minnesotans are well aware of the work of charter schools—the idea was conceived in the North Star State. Charter schools enjoy a unique degree of freedom but also bear a great deal of responsibility. Under their direction, students are getting top-notch educations and parents are reaping the rewards of greater competition in education.

We must find ways to spread the promise and possibilities of charter schools to other areas of education policy. Parents should not find their children trapped in failing schools because Washington prohibited the kind of ground-breaking solutions needed to turn their schools around.

Finally, Washington must not continue the era of fiscal recklessness. This year the federal deficit is expected to reach \$1.5 trillion, and the total national debt has passed \$13 trillion. The complete lack of fiscal responsibility will leave current generations

crushed under the weight of higher taxes and future generations buried under a mountain of debt. Efforts to spend and borrow our way back to a stronger economy have been tried and failed.

It is time for a new direction. After four years of talking myself hoarse, my Republican colleagues in the House of Representatives recently agreed to a complete ban on earmarks. It is a small but important first step to ensure federal tax dollars are spent wisely, rather than because of someone's party affiliation, their seniority, or the committee on which they serve. We are sending a clear message: The days of a big-spending and backroom-dealing culture in Washington are coming to an end.

Over the last century, the federal government has intruded into virtually every corner of American life. From the New Deal and the Fair Deal to the raw deal of a government takeover of health care, what began as a slow trickle has now become a virtual tsunami of big-government schemes. Minnesotans are joining citizens from coast to coast who reject this government intrusion into their lives. They recognize you can't break down the barriers to opportunity by building walls of government intervention.

To encourage the most talented and entrepreneurial among us, we must inspire Americans to do for themselves and their families what they know is best, not what the federal government tells them is good enough. Americans know how to make America work. We can unleash the entrepreneurial power of the American people only by demanding that Washington get out of the way. It is time to take charge of our destiny and move toward making it morning in America again.

John Kline represents Minnesota's 2nd Congressional District in the U.S. House of Representatives.



Redefining Our Expectations of Elected Officials

by *Ashley Landess*

The present economic climate presents an opportunity to state the obvious: Economics is not a natural science. We can't predict an economy based on numbers that will always be true or plug in "x plus y" and guarantee "rich and happy" every time. Economics is predicated on human behavior; therefore, while clever economists can use mathematics to offer some general estimates about the impact of tax policy, few would do so absent some cautions and caveats.

Good economists will admit that their science is ultimately based on the reactions of people in different circumstances. If we recognize that, then we can study history, psychology, and philosophy to tell us what has been true, what we make true, and what ought to be true.

Human beings are wired to want and pursue happiness. We crave individual freedom to succeed for ourselves. We love our own ideas and are thrilled by our own discoveries. We are creative creatures driven to explore truth. Anything possible in the natural world is possible through our own efforts, from glory to downfall.

Wanting to succeed can make us selfish, greedy, and power-hungry, which often drives us to foster an environment in which we can be lazy and dependent, bored and demanding, and thus utterly unfulfilled. If we choose, we are permitted to live in a tyranny of our own making.

It is easier to create a model for economic success through the study of human nature than it ever could be through the manipulation of numbers. If humans are inherently wired to seek their own fortunes – one way or another – then how do we encourage that practice through our best nature rather than our worst? The only way that has ever worked: equal opportunity through freedom.

It's pretty obvious we have stopped nurturing talent, innovation, excellence, and success through the free market, and instead we have allowed politicians to convince us they can do it better. Today our states compete for the same handful of big corporations by doling out the precious capital of our entrepreneurs, and the politicians tell the public they've "created jobs."

American politicians are indulging in a buffet of all kinds of interesting careers. They get to be venture capitalists, investment brokers, CEOs, researchers, health care providers, and even educators. Who wouldn't rather work in the legislature with such a diversity of pursuits and almost zero room for failure?

The problem, of course, is that politicians are rarely experts at anything, and their failure is ultimately at the expense of those who are. Changing that reality presents an opportunity to encourage and nurture the talents of others directly. Simply put, we can recruit the best and brightest to serve in office. We can demand that as often as possible, our leaders summon their best nature and squelch their worst.

We'll have to redefine our expectations of elected officials. We can't keep insisting that they always display better character than we do ourselves. That leads to disappointment and frustration. Rather, we have to define clearly the job of those governing: to employ all of their talent and intellect to be stewards of our freedom and defenders of our rights. They should consider that role to be the highest American civilian privilege, as it was for the Founders. We must not hire anyone who demonstrates anything different.

It is our own fault that politicians believe their job is constantly to "do something" about every problem in our daily lives. We shouldn't be surprised that politicians behave as they do when we let them tell us they'll "fix things" for the small price of power. History teaches us that human beings do not want to give up their power or their opportunity. If that's true, we must exercise our responsibility to cultivate leaders who believe that defending American

freedom is the fullest exploration of their talent and then vigilantly force them to prove it.

Ashley Landess is president of the South Carolina Policy Council.

“Picking Whichever 12 Hours You Like”

by *Dan McElroy*

The question for this symposium is “How can we better encourage and reinforce the most entrepreneurial and talented among us?” The “we” in that question has to be construed very broadly. There are certainly systems and services that can encourage entrepreneurs. There are also cultural issues that involve families, education, and the media.

One of my earliest memories is of my father telling me that the best thing about running your own business is that you have to work only half-days—and you can pick whichever 12 hours you like! One of our neighbors when I was a kid owned a barbershop and another was a masonry contractor. My father, incidentally, worked for a big company but always admired entrepreneurs. I also remember hearing about running a business as a Boy Scouts merit badge topic and during conversations around the dining room table.

My father used to tell a story about the guy in his high school class, who would have been voted least likely to succeed, coming back to a high school reunion in a big new car and fancy clothes. When he was asked about his success, he explained that he had invented a product he could make for two cents and sell for a dollar. “Isn’t it amazing,” he said, “what a two percent profit margin can accomplish?”

As my story indicates, support for the value of entrepreneurship often starts at home, and it won’t

always be the book smart who are the most successful. Organizations that work with young people such as Junior Achievement, Boy Scouts, Girl Scouts, Boys and Girls Clubs, FFA, 4-H, and many others certainly have a role in explaining and modeling entrepreneurship. There is a role for school curricula at every level and for extracurricular activities as well. The drama club or school newspaper budgets are lessons in small business management.

There is an even bigger role for the culture in supporting risk-taking and entrepreneurship. Every story in the newspaper about a small business success has an impact on public opinion and the popular culture. Stories about people who have failed once or more and then gone on to succeed are even more powerful. I heard a venture capitalist at a recent meeting say that Silicon Valley business owners who have failed can get funded for their next idea because of the lessons they learned the first time around. In the more cautious Midwest, that second or third “at bat” might be harder to come by.

There are many programs and services to help people start and grow businesses. The state collaborates with the U.S. Small Business Administration and others to run a network of nine Small Business Development Centers across Minnesota. Many workforce centers can help dislocated workers through a program called ProjectGATE (Growing America Through Entrepreneurship). Several nonprofit organizations in the Twin Cities help hundreds of small businesses every year with funding and other assistance. SCORE chapters across the state also provide help. At the end of the day, the culture might be the most important ingredient.

Despite our reputation for being staid and laid back, Minnesota has something special that works for small businesses. The secretary of state reports that more new entities were formed in 2009, over 61,000, than ever before. More than 100 Minnesota businesses made the *Inc.* magazine list of the fastest-growing private companies in the country. Minnesota’s “secret sauce” likely includes equal parts great education, work ethic, and previous successes.



We can't rest on our laurels, but the future of small business development is encouraging.

Dan McElroy is commissioner of the Minnesota Department of Employment and Economic Development.

The Virtues of Larger Families and Less-Attentive Parents

by Peter Nelson

Are people born entrepreneurs, or can they be made? The question is obviously important. The new companies that entrepreneurs start are responsible for most of the net job growth in our economy. Make more entrepreneurs, and you make more jobs.

Vivek Wadhwa believes entrepreneurs can be made. He's a visiting scholar at the University of California at Berkeley and a researcher at Duke University. In collaboration with a group of researchers funded by the Kauffman Foundation, Wadhwa has been working to "understand what makes entrepreneurs tick."

In a recent post at the TechCrunch blog, Wadhwa summarized this research. He made two main points. First, parents don't play a large role in encouraging entrepreneurship. According to their research, most entrepreneurs don't have entrepreneurial parents and most don't aspire to own a business until they are out of college and living independently. Second, education matters a lot, at least when it comes to starting businesses in knowledge-dependent technology and engineering industries.

Taking the second point first, education is no doubt important to developing entrepreneurial skill. The above research focused primarily on technology and engineering businesses that require smarts and creativity; therefore, it's no surprise that education is important. Because these sorts of startup companies are also high-growth companies, educating future

entrepreneurs to start these companies should be a priority. To that end, the Kauffman Foundation's \$2 billion endowment is doing America a huge favor.

Still, there are plenty of people who contribute to the economy by starting businesses that are less intellectually demanding. For these entrepreneurs, education may not be a key component. Opening a restaurant, retail store, or construction business probably depends more on character traits learned in the home than on anything learned in the classroom. Jodel Fesenmaier certainly didn't need an advanced degree to open Ollu, a self-serve dog wash in Minneapolis. Indeed, self-employed people manage to succeed despite the fact that their college grades tend to be lower than average.

This brings us to Wadhwa's first point about families. While I doubt Wadhwa would say families don't make a difference, he certainly downplays their importance. However, parenting styles and family environments obviously play a substantial role in shaping children into adults. It stands to reason that certain parenting styles and family environments might better develop the level of ambition, decisiveness, self-confidence, relational skill, and appetite for risk necessary to start a self-serve dog wash.

Unfortunately, in their efforts to reverse-engineer the entrepreneur, Wadhwa and his colleagues at the Kauffman Foundation barely touch the surface on how family background relates to entrepreneurship.

Wadhwa et al. shortchange the role of parents and families by not asking questions that might reveal parenting and family patterns that tend to support entrepreneurship:

- Did your parents have high expectations?
- Did your parents demonstrate a strong work ethic?
- Did your parents enjoy their work?

- Were your parents leaders in their jobs or communities?
- Were your parents quick to bail you out of problems?
- Did your parents regularly help you with homework?
- Did you regularly dine with your entire family?
- Are your parents trustworthy?
- Did your parents do their best to treat each child fairly?
- Did your parents regularly encourage you and positively reinforce your behavior?
- Did your parents have a generally positive or negative outlook on life?

That said, one of their findings does shed light on parents and families. The entrepreneurs in their study tended to come from larger families. Entrepreneurs averaged 3.1 siblings in the study. The average in the United States today is 1.86, and the average in the past 60 years never went any higher than 2.44—not even when birth rates were at their peak.

I posit that larger families are generally better at imparting the character traits and practical abilities necessary to be a successful entrepreneur because parents with more children to manage are less likely to micromanage their children’s lives.

Much has been made in recent years of so-called helicopter parents—parents who constantly hover around their children, setting their schedules, doing their homework, playing on the playground versus sitting on the park bench, obsessing over safety, and bending rules to assure academic success.

What’s the problem with helicopter parents? As Hara Estroff Marano wrote in *Psychology Today*, “Although error and experimentation are the

true mothers of success, parents are taking pains to remove failure from the equation.” According to Marano, who eventually wrote a book on the topic titled *A Nation of Wimps*, kids are increasingly fragile and unable to make their own decisions.

Of course, self-confidence, decisiveness, and experience overcoming failure are key character traits in successful entrepreneurs. Could it be that we’re also raising a *nation of worker bees* without any entrepreneurs to create the jobs?

There’s a certain element of benign neglect that good parents employ as they raise their children. Obviously, some children need closer supervision, but for many, less can be more.

If larger families tend to be better at balancing out the attention children need, then maybe we should pursue policies that encourage larger families.

To that end, why not eliminate the federal tax credit for a first and even second child. Instead, hold off and provide a \$3,000 credit for the third child. Starting the credit at the third child would certainly push parents to think a bit more positively about adding that inconvenient fifth wheel to the family—and maybe a sixth wheel for balance.

The benefits of this type of policy change go beyond entrepreneurship. The policy would help the deficit by reducing the tax expenditure on child tax credits. And there may be two more deficit-helping factors. First, if families do grow larger, more taxpayers will eventually enter the rolls to offset the burden posed by retiring baby boomers. Second, having larger families also means having more family members available to provide informal care when parents and grandparents need expensive long-term care assistance that might otherwise be funded through Medicaid.

Having larger families and less attentive parents are just a couple of the factors that might affect entrepreneurship. I previously rattled off a number of other questions that suggest other ways that families might influence entrepreneurship. Not

only might the answers to those questions provide insight into entrepreneurship, they might speak to issues that affect the rearing of well-rounded and grounded children. Answering those questions might be the best way to understand how we can assure that America continues to be a nation of entrepreneurs and avoids slumping toward a nation of wimps or worker bees.

Peter Nelson is a policy fellow at Center of the American Experiment.

Valleys Plus Government are Still Holes in the Ground

By Grover Norquist

How can “we” better encourage and reinforce the most entrepreneurial and talented among us?

Who’s “we?” The government? Society in general? Parents concerned with their offspring?

What can or should the government do? Several centuries of history suggest strongly that government can best encourage entrepreneurship and talent by protecting property rights, the rights of contract and free association, and by maintaining the rule of law. Oh, and a couple of other things: Getting the heck out of the way of free men and women running their own lives as they choose and avoiding stealing stuff from people who earned it through voluntary exchange.

Talent that needs anything from the State other than liberty is not talent. It is rent-seeking on behalf of the talent-challenged.

For people whose understanding of public discourse requires a list of things for government to do to fix any particular problem, I would suggest it should cut taxes, spend less, repeal regulations, and maintain a sound dollar. Of course we need courts and police to punish crime and an army to keep the Canadians on their side of our border.

America has the most robust and well-attended places of worship in the world because our government does nothing to help them. We have a whole constitutional amendment pointing out this strategy of benign neglect. European nations subsidize churches and sometimes mandate membership, and the churches are very pretty and pretty empty.

A French government official in the 1980s told visiting Americans that France wanted to have a Silicon Valley. He pointed out that France had many valleys and the government would go to work. Valleys plus government are still holes in the ground.

Society can play a role. The cultural values that are shared by many or most people in a tribe or nation-state can lead to more or less risk taking, respect for financial success and protection for the rewards of such success. One can individually improve the culture by writing books or essays, producing movies, and talking to one’s family members and co-workers on behalf of cultural values that lead to progress. One can also change a culture by leaving—just as many American immigrants left failed cultures in other lands. America’s relatively open culture also stands as a model for possible emulation. It pays to have good examples to encourage others. To be sure, several countries serve as bad examples to be avoided.

At the individual level, there are whole libraries written about how to raise successful children, how to instill excellence in oneself, in one’s company, in one’s co-workers, subordinates and bosses. (Someone has suggested that “self-help” books violate their own stated purpose, but that is funnier than it is wise.)

I have two young daughters, therefore I suppose I think about this every day, but I am not sure I have any wisdom worth sharing. Evidently speaking loudly and repeatedly doesn’t impress infants whose command of English leaves something to be desired. Threats of bodily harm are not much use employed against those who cannot name or fully control said body parts.

If everyone started by working on oneself and only then attempted to improve or perfect smaller family members, the world would be a better place, and the idiots who run our governments would not think they have a role in creating entrepreneurship or talent. They could go back to continue and monitor their successes in turning Iraq into Kansas.

Grover Norquist is president of Americans for Tax Reform, www.atr.org.

The Soul of Sales: Religious Roots of Entrepreneurial Culture

by **Robert Osburn**

Give me a culture that befits the entrepreneur, and I'll show you a society noted as much for its justice as for its vibrance and optimism. Let me explain.

The usual answers to this symposium's question will invariably focus on policy. But without dissing policy (after all, I teach a course at the University of Minnesota that has the word "policy" in the title), I'll suggest that David Brooks (perhaps channeling the inveterate economist Thomas Sowell) got it right when he recently wrote ("The Limits of Policy," May 4, 2010) that culture almost always trumps policy. In other words, as hard as we try to pass and enact wise policies (and we should), the surprising truth is that the variable that best explains outcomes is that of culture, the fabric of ideas woven into the daily habits, practices, institutions, and symbols of a society.

To aim the arrow right to the heart of the question, Kenneth and William Hopper help us with their 2009 book *The Puritan Gift: Reclaiming the American Dream amidst Global Financial Chaos*. Simple-minded people like to construct the false edifice of Puritanism as socially mandated sexual repression. Truly understood, however, the Puritans who began immigrating to the nascent colonies like Massachusetts in 1630 were scientifically minded nation-builders who understood that the soul

and sales are intimately linked, not separated as if sacred and secular were two wholly different and disconnected realities. Partially in debt to that great 19th century French social philosopher Alexis de Tocqueville, who understood us Americans better than we do, the Hoppers boil the Puritan gift into four propositions that together created an American culture where entrepreneurs flourish: (1) the purpose of life and enterprise is to make human society reflect God's vision (i.e., bring Heaven to Earth); (2) mechanical tasks and skills are pathways of holiness and should therefore be cherished and welcomed; (3) individual needs must be finely balanced with the larger needs of the community; and (4) organizational skill and ability are essential.

Taking the Hoppers seriously, I believe we must build a culture of entrepreneurship in which risk-taking, integrity, service, quality, skill, and what might be thought of as *stakeholdership* are norms rather than exceptions. I fear that the ethic of profit maximization, minus the kind of culture that the Hoppers rightly celebrate, is inadequate for the task of creating a vibrant, growing society. Lacking the cultural norms shaped historically by religion, we are at a point in history where government and allied institutions will do it for us, enforcing equity, diversity, and personal rights while stifling creativity, ingenuity, and, ultimately, the very vibrancy we want.

Yes, we should build tax policy that doesn't suffocate budding entrepreneurs. Yes, we need strong, world-class universities like the University of Minnesota, where students gain technological acumen and skill. Yes, we need to restructure our immigration policy so that it welcomes brilliant scientists with an invitation to stay and thrive within our borders. Yet what we really need is to rediscover seriously and soberly the gift that our Puritan ancestors bequeathed us. They gave us a culture in which the entrepreneur and the preacher (rabbi, imam, or priest) need each other. The latter can help nourish a culture in which the most talented (and also the least, by the way) thrive. The former can know that their achievements will come not at the expense, but to the benefit of the community.



Therefore, I encourage policymakers to bring up their best policies on tax, immigration, and education. Still, their greatest achievement, according to growing amounts of evidence, will be to limit government so that it leaves enormous space for the faith community to do what it should do best: create a culture that supports and sustains entrepreneurs.

Robert Osburn is the executive director of the Wilberforce Academy and a lecturer in the Department of Organizational Leadership, Policy, and Development at the University of Minnesota.

Who is a Millionaire?

by *Donald P. Rachefer*

The answer to the question posed in this symposium that springs immediately to mind: Give a monetary reward.

If people start businesses, they will generally make a profit as well as put people to work and pay taxes to support our overabundance of governments. Therefore, by extension, one principal way to encourage this desired behavior would be to cut taxes on those who jump-start our economy. Another would be to cut the regulations and red tape that discourage many from starting or growing businesses.

On a related note, America must amass more venture capital and make it available to potential entrepreneurs at affordable rates so they can obtain financing to start and sustain their new businesses. We could give a tax break to banks that exceed the norm for loans to start-up companies. We could have bankruptcy laws that make it less onerous to fail and get back up and try again.

Yet I believe we must go far beyond the monetary factors mentioned, if we are truly to bring a flowering of entrepreneurial spirit again to America. I believe we must have events similar to school science fairs

and give ribbons to junior achievement-types who start businesses as youth. We must publicize the schools that already have such programs. We must start them in the many schools that do not currently have such programs. We must have such achievements heralded in school yearbooks and student newspapers. We must have merit badges for such behavior by members of scouting groups. High schools also must develop classes in personal finance with an emphasis on deferred gratification, savings, and prudent financial investment.

At the college level, we must have classes on how English, art, and other non-business-school majors can start their own small firms, especially because finding positions working for others has become so difficult in recessionary times. The business schools must go beyond classes and become business incubators and business facilitators. They could have online support to help with business plans, answers to frequently asked questions, and specific trouble-shooting. They could have ongoing surveys of each community in their area to identify unfilled needs and potential customer bases, provided at no cost to potential entrepreneurs in return for the taxpayer support they receive and as practicum projects for their students.

As adults, we should give medals and recognition to the talented people who grow businesses, just as we give Nobel Peace Prizes and MacArthur Genius grants. We should have sections of our newspapers dedicated to telling the stories of all the many small business owners who have battled the odds to open and grow a job-creating enterprise. We should have TV shows along the lines of “Who is a Millionaire?” instead of “Who *Wants to be* a Millionaire?” that herald how one creates a personal fortune through good ideas, hard work, and perseverance, rather than by answering some trivia questions or making a lucky guess on a four-response multiple-choice test. Our political and community leaders should give speeches on the Fourth of July and at other appropriate times about the talented people who have made our nation great and encourage, rather than denigrate, more entrepreneurial spirit.

Perhaps more important than general public recognition, however, is the support or lack thereof from our families, loved ones, and friends. It makes life hard or easy for potential entrepreneurs, depending on whether such individuals are telling us “slow down, don’t work so hard, enjoy life more” or “I admire how hard you are working to create a business and jobs for our community members.” Do they pitch in and help us or sabotage our efforts to create a business from scratch?

In short, we must create and nurture a culture of recognition and reward for talent and entrepreneurship. This has been missing for many years in our society. We have been coasting on the efforts of earlier pioneers that elevated America to its status as the most desirable and most capitalistic of nations, but we will soon be eclipsed if we do not rededicate ourselves to that noble cause.

Donald P. Racheter is president of Public Interest Institute located on the campus of Iowa Wesleyan College in Mount Pleasant, Iowa.

The Other Achievement Gap

by Deborah L. Ruf

How can we better encourage and reinforce the most entrepreneurial and talented among us? We can start by changing the ways we set up schools and the ways we address the very different learning abilities and needs of the students in them.

The well-known “achievement gap” refers to the difference in the average academic performance between our highest and lowest achieving population groups. Closing that gap has led us to focus our attention on students who are struggling with fundamental achievement. As little progress is made to close these gaps, it seems we refuse to explore anything beyond external influences as probable causes for our failures. We rarely speak of *individual* differences in ability. I recently attended a symposium where speakers repeatedly reminded

us that “just because we don’t like what the research is telling us does not mean it is bad research.”

I believe our most worrisome achievement gap should be the performance gap we see *within each individual* rather than those between any *groups* of people. Our society benefits from the support and nurturance of our brightest minds, and here’s what the research tells us: A person’s intellectual profile, capacity to learn within different domains—along with certain differences in personality, gender, exposure to opportunities, and luck—is not greatly responsive to outside influences to change it. Twin and adoption studies, as well as Head Start and any number of other early intervention programs, indicate consistently that the brain is like a muscle that can be exercised to perform at its own best level, but when the workouts stop, that muscle strength returns to where it was before.

The spread of human intellectual ability is vast across all populations. By the time children are about seven years old and in first grade, the typical same-aged mixed-ability public school classroom already has 12 grade equivalencies of achievement in it. There is no way to make all people intellectually the same any more than there is a way to make everybody the same sex or the same height. Every individual should be challenged to grow intellectually, and we’re now generally ignoring those individuals with the highest potential.

The United States has one of the widest intellectual ability ranges in the world because our diverse economy has attracted people from all over the world. Populations of other countries actually have different ability averages and ranges, different strengths and weaknesses. For whatever reason (and there are many) only about ten percent of the U.S. population is intellectually capable of professional-level achievement, no matter how hard we push and support everyone else.

We cast aside good approaches to educating every person to the best of his or her ability when we can’t accept that people are innately different from one another from the get-go. We further cripple our



efforts when we shame people for doing their best at important occupations that are not considered prestigious (e.g., the trades, services, labor). Indeed, one result of our current emphasis on making all students “college ready” is that we are overlooking legitimate, needed job training for individuals whose abilities, regardless of their education, will never make them college ready. Less than one-quarter of the American population has the kind of reasoning and learning abilities that lend themselves to college-level training. Rather than a college degree to earn a good living, we should adjust how we pay people for work they are able to do and give them the training they need to do it well.

How can we better encourage and reinforce the most entrepreneurial and talented among us? Let’s set up campuses where students are enabled to move to classes where what they’re ready to learn is already being taught by teachers who really know their subjects. Let’s start as early as the very first years children attend school. Grouping kids by age for instruction makes about as much pedagogical sense as grouping them by height. There’s no good reason for the practice, and there’s no research to support its efficacy for cognitive or social learning. It would cost less, not more, to group children by readiness to learn, not by grade level or age.

Most ability-grouped classroom instruction and junior high school tracking ended in the 1970s. Both were perceived to pigeon-hole students and take away opportunities. Now, however, most coursework is aimed at a slightly-below-average target group—struggling learners—so they’ll pass No Child Left Behind Act exams. Everyone endures the same seven to eight repetitions of material over six years of elementary school and an equally repetitive pace for middle school. Smart children become bored, tune out, or act out, and those who cooperate learn an under-achievement ethic.

Here’s what the brightest students need instead. The top five percent of learners could finish the elementary curriculum in four years or less. The highest two percent could take three years or less. The top one percent could finish in one or two

years (in at least one subject area), and at least one child in the school probably would be smart enough to do it all in less than one year. Does anyone wonder why they don’t want to go on to college and graduate school? All they can picture is more of the same. They’ve rarely experienced real competition or real soulmate friendships, because anyone who is like them got spread out—blended—into other classes to make it “fair.” Everything is too easy and boring for eight or nine years and then becomes unexpectedly very hard. While we prepare many students for college who will never enjoy reading or understand algebra, we bore the socks off our brightest students and never give them a chance to learn to their capacity or prepare for the intellectual labor for which they were designed.

If all students could move at their own pace, they could be grouped and regrouped to work with students of different abilities and backgrounds, depending upon the subject. Continuous progress and ability grouping moves *all* students to where they need to be.

How would these changes encourage the most talented among us? Bright students would experience challenging and stimulating learning from the time they start school. They’d learn what they’re capable of doing—with true peers—people they’ll eventually work and compete with instead of wasting time. They’d start advanced training already understanding who they are and what the world is really like. Each child would have the tools that realistically fit him or her. We are not all the same, and we never will be, but that’s okay and something we should celebrate. Let’s support realistic expectations and goals for all American students. When we do that, our very brightest will also become the best they can be.

Deborah L. Ruf is founder of Educational Options in Minneapolis, where she works with families of highly gifted children.

Opportunities and Equipment to Experiment

by *Lyall A. Schwarzkopf*

There are many ways to encourage and reinforce the skills of entrepreneurial and talented people:

- Provide educational opportunities for entrepreneurial and talented students.
- Establish clubs and private institutions where such people can network and share ideas.
- Create contests and demonstrations where such people can showcase their ideas and talent.
- Provide opportunities to experiment, meet other entrepreneurs and talented people, and be mentored by talented people or entrepreneurs.
- Acknowledge people with entrepreneurial and talented skills.

Let's look at each of these separately.

Entrepreneurial and talented students in school are frequently bored with the traditional class work. Special classes or interesting, exciting extra work can keep students expanding their talents and interests. Too many schools teach to the students who are struggling or are the majority in a classroom, and the talented students are bored and left to acting out in class just to entertain themselves.

Establishing entrepreneurial clubs in schools where students can exchange ideas and work on experiments which can hone the skills and help expand the interests of these young people. Math, science, history, reading, and arts clubs encourage talented students to continue to increase their talents. Yet these clubs usually meet before or after school. Because of busing issues, many students cannot participate. While teachers are working with students in the classroom, those who are talented

or entrepreneurial could be in a club setting. In addition, private institutions could be established by corporations or nonprofit groups for such students to use after school, in the evenings, or on weekends. Adults could also use these organizations. They need to be staffed by mentors willing to work with students or adults.

Some school districts and colleges have established contests where students with extraordinary talent or entrepreneurial skills can showcase their experiments, new ideas, and knowledge on specific subjects or skills in music or art. Contests give students something toward which to strive and from which to learn.

Entrepreneurial and talented people need the opportunities and the equipment to experiment. Frequently the opportunities or the equipment are not available to them. Again, private and nonprofit organizations can and should provide the equipment and opportunities needed. It is also important that organizations that provide those opportunities also provide mentors to work with these people. The more we can encourage entrepreneurial and talented people, the more society will benefit with new ideas, new products, and skills that will improve our society.

Our society needs to acknowledge people who have special talents and entrepreneurial skills. Contests and demonstrations are ways to acknowledge and encourage people with special skills to continue to use their skills to improve our society.

The United States, working in a global society, must not waste the talents of highly skilled entrepreneurs or special, talented people. We need to encourage students in K-12 schools and colleges to hone their skills. We also need to encourage adults, out of school, to use their imaginations, their skilled talents, and their entrepreneurial interests to help our country compete in the global society.

Lyall A. Schwarzkopf is a former legislator and chief of staff to Gov. Arne Carlson.



Confidence and Credit

by *Steve Shipley*

Recession, rising health care costs, high unemployment numbers, huge deficits, unfunded mandates, and potential huge tax increases, and the list goes on and on.

Why would anyone want to “Encourage and Reinforce the Most Entrepreneurial and Talented among Us?” As a small business owner who has been in three recessions (this one by far the worst), I am ever optimistic that things always get better, and therefore I adapt.

Government has mainly caused the list that I mentioned above. One can argue whether government caused the real estate bubble to break and the related problems that also transpired on Wall Street. Actually, it probably caused both. Yet government involvement in making easy money available to people who could not afford houses has been the club that has caused this recession.

There are two “C’s” that I think are needed so once again people will be willing to take chances and invest in start-up companies or start a business themselves: Confidence and credit.

America lacks confidence right now. People are not confident about the long-term future of job growth. Hence, slow spending by consumers will probably be the norm for some time. All businesses either make or sell a particular product. It can be anything from gum to an insurance policy. The people buying the end products must have the confidence that their jobs are secure and also that their future is somewhat secure. What I see as a small business owner today is continued anxiety or lack of long-term confidence because of potentially increased taxes and huge unsustainable deficits.

I believe a major reduction in spending is needed as well as a tax reduction. This would instill some confidence.

As for credit, it’s the lifeblood of small business. Until the economy picks up and the real estate market stabilizes somewhat, banks will be leery of lending money, especially to people who want to start a new business. I have been told that a 30- to 40-percent down-payment on commercial property is now required to purchase or build a building. Values of homes have gone down in some areas up to 40 percent. Many small business owners use their homes as collateral to get the banks to loan them money. The reduction in values of these properties has made it very difficult to tap into equity.

So what does all this mean? Government has caused many of our problems. Unfortunately, it will probably be government that also has to correct it. This can happen starting in November by electing a more pro-business, less nanny-state-type of government that can make the changes needed for businesses and families. Create an environment that helps businesses grow, and then get out of the way.

Steve Shipley is president of POS Plus, Inc. in Chanhassen, MN.

“We’re Hosting No Government Officials as Part of This”

by *David J. Theroux*

“Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth.”

Peter Drucker

“The task of the entrepreneur is to select from the multitude of technologically feasible projects those which will satisfy the most urgent of the not yet satisfied needs of the public.”

Ludwig von Mises

True to the Progressive Era myth of benevolent big government, entrepreneurs at Barack Obama’s recent “Presidential Summit on Entrepreneurship” took a back seat to senior government officials. Summit

spokesman Ben Rhodes, deputy national security advisor for the State Department, initially noted that “entrepreneurship is a fundamental American value, and it’s also a force that has the ability to unlock opportunity for people around the world. . . . We’re hosting *no* [emphasis added] government officials as a part of this. This is a summit that is going to bring together entrepreneurs—social entrepreneurs . . . around this question of how we can galvanize entrepreneurship on behalf of economic growth.”

In fact, the program was led, *not* by entrepreneurs, but instead by the secretary of commerce, the administrator of the Small Business Administration, the director of the White House Office of Social Innovation and Civic Participation, and a senior director for global engagement of the White House national security staff, plus other officials, with closing remarks by Secretary of State Hillary Clinton.

Earlier in a speech on March 3, 2008, at the Constitution Center in Philadelphia, Obama described *free* private enterprise as “a corporate culture rife with inside dealing; questionable accounting practices and short-term greed . . . the real problem is not that someone who doesn’t look like you might take your job; it’s that the corporation you work for will ship it overseas for nothing more than a profit.”

The policies from Washington today reflect Obama’s belief that government direction (cartelization) of business and civil institutions is essential to resolve most economic and social problems. Moreover, this “progressive” view has held government programs, including government loans, subsidies, and training programs, as *essential* to foster the *only* kind of entrepreneurship to be beneficial and even possible for most people, a dependent and controlled form. Meanwhile, such programs in Maine, Minnesota, New York, Iowa, and California have proven to be failures, draining away into wasteful government agencies entrepreneurial resources that would otherwise be productively utilized to serve consumers.

Exactly contrary to Obama’s view, the crucial factor for the improvement of life in every society has been free private enterprise in which individuals seek to

adjust to changing conditions and uplift their lives and those of others. As such, entrepreneurship is neither created or nurtured by government nor reserved to the privileged—indeed, it is found in the poorest of communities in countries worldwide. In his recent book *Lessons from the Poor: Triumph of the Entrepreneurial Spirit*, Alvaro Vargas Llosa shows that countless millions of small-scale entrepreneurs in Africa, Asia, Latin America, and elsewhere work fervently to produce a vast range of goods and services, *despite* the enormous burdens created by government bureaucracies and corruption.

Entrepreneurship can be fully beneficial to any society only to the extent that people are free to channel their efforts into voluntary and cooperative ventures that create wealth. Where governments dominate a society, enterprising individuals are stifled and too often misdirected into political patronage to use government power to pursue dubious ventures through the protection of tariffs, subsidies, and regulations, all of which serve to inhibit, misdirect, and destroy wealth creation.

As Benjamin Powell discusses in his book *Making Poor Nations Rich: Entrepreneurship and the Process of Economic Development*, the enormous, recent economic progress in China, India, Estonia, Ireland, New Zealand, and Botswana vividly demonstrates the power of entrepreneurship resulting from economic liberalization. In such cases, the dynamic process of innovation and productivity is unleashed to the extent that the civil values of individual rights and responsibilities are upheld under a rule of law, with defined and enforced property rights and contracts, low taxes, sound monetary system, and strictly limited government interference.

Numerous economists have shown that without the freedom to learn, discover, and act, the process of entrepreneurship is stymied, and economic progress is not possible. For example, Nobel Laureate F. A. Hayek stressed that because the details of time and place are uniquely *perceived* at specific moments by some people and not by others, entrepreneurial discovery is decentralized to individuals in a spontaneous, dynamic process. In *The Wealth of*



Nations, Adam Smith understood that having access to this knowledge of time and place of opportunity leads to entrepreneurial discovery. He discussed how such entrepreneurial discovery is necessary for any firm to survive, and when such a process is ignored or hindered by government edicts, the firm's methods of production can easily become obsolete and the firm left with mounting losses.

As a result, the profit-making of entrepreneurship is essential to all manner of economic and social improvement. All such profit-making consists of a combination of pecuniary and non-pecuniary returns and the extent or absence of each form of return varies, depending upon the kind and circumstances of any enterprise. Neither the poet nor the social worker nor the physicist may become financially wealthy from their work, despite the intrinsic merit, but each is entrepreneurial. Financial considerations are often present in such social entrepreneurship, but they may not factor as high as they would for business entrepreneurs who trade on the Chicago Board of Trade, for example. This is why entrepreneurship guru Peter Drucker could claim the following about the private, faith-based, entrepreneurial firm, the Salvation Army: "The Salvation Army is by far *the most effective organization in the U.S.* No one even comes close to it with respect to clarity of mission, ability to innovate, measurable results, dedication, and putting money to maximum use."

Similarly in their book *The Voluntary City: Choice, Community, and Civil Society*, David Beito, Peter Gordon, and Alexander Tabarrok demonstrate that private business and social entrepreneurship form the basis for most progress in addressing such issues as commerce, education, employment, safety, welfare, transportation, etc. In short, market-based, proprietary development and voluntary, community-based entrepreneurship, not government command and control, are what makes progress in human well-being possible.

David J. Theroux is founder and president of the Independent Institute (www.independent.org) and publisher of The Independent Review.

ObamaCare will Drive Entrepreneurs Crazy

by Grace-Marie Turner

Will it help or hurt? It's a simple question that many people are asking about the new health overhaul law. For entrepreneurs and small business owners, the unfortunate truth is that ObamaCare erects big roadblocks to their success.

It's not easy starting any new enterprise—much less a business—from scratch. It can seem daunting to develop and market a new product or service, hire employees to get the work done, and attend to the countless details inherent in any successful enterprise. All of this requires time, energy, and focus. The last thing entrepreneurs need is more government red tape and higher taxes.

Yet that's what they get from ObamaCare: new regulations, higher taxes, and increased health insurance costs. This added weight could make the difference between a fledgling business surviving or failing.

ObamaCare's Form 1099 requirement is a case in point. Under current law, businesses must file with the Internal Revenue Service a Form 1099 if they pay independent contractors more than \$600 in a year. This can be a hassle today, but it is manageable.

The new health overhaul law takes this limited requirement and expands it exponentially. Starting in 2012, any business-to-business transactions totaling \$600 or more cumulatively over a year will require a 1099. Purchase a \$700 airline ticket? Send a 1099 to American Airlines and the IRS. Fill up your car with gas for business over a few months? Send a 1099 to Exxon and the IRS. Buy more than \$600 in office supplies? Send a 1099 to Staples and the IRS. The list is nearly endless.

Tax paperwork already costs small business owners more than \$74 per hour, according to the National

Federation of Independent Business (NFIB), and the 1099 requirement will increase these costs considerably.

New estimates from the Obama administration show that between 49 percent and 80 percent of small employers who offer health insurance will have to change their plans within the next three years because of ObamaCare. That's going to be an expensive proposition as well.

It doesn't end there. ObamaCare also slaps businesses with new and higher taxes. Seventy-five percent of small business owners file their taxes as individuals, thus their business income appears on their personal taxes, often putting them in higher income categories. ObamaCare raises Medicare payroll taxes and expands them to include non-payroll income for individuals earning more than \$200,000 a year. This will be a double whammy to the bottom line of small business owners. Money that could have been invested to help their businesses grow and hire more workers will now be consumed by Washington's insatiable appetite for more revenue.

Then there are the higher health costs that business owners inevitably will face under ObamaCare. Many of them purchase health insurance in the individual market, yet the new health overhaul law will make this coverage more expensive. The Congressional Budget Office (CBO) says families purchasing health insurance in the individual market will pay \$2,100 a year more for coverage than they would had the law not passed, totaling \$15,200 a year for a family health insurance policy by 2016.

The Obama administration's own actuary at the Centers for Medicare and Medicaid Services expects higher health insurance premiums for individuals and businesses. Part of the reason lies in the hundreds of billions of dollars in new taxes and fees that the actuary, Rick Foster, says will "generally be passed through to health consumers in the form of higher drug and device prices and higher premiums." The \$60 billion tax on health

plans, the \$20 billion in new taxes on medical devices, and the \$27 billion in new taxes on drug companies are all among those which will be passed on to consumers.

While the administration is touting ObamaCare's tax credits for small businesses, the largest organization representing small business, the NFIB, says these credits, "will do little to nothing to make purchasing insurance more affordable for small firms." The CBO estimates only about 12 percent of the small business population will receive any benefit from the credit. Further, the tax credits go away while high health costs do not, leaving business owners to pay the full cost of increasingly expensive health insurance.

Instead of encouraging entrepreneurs, the health overhaul law inflicts more paperwork, higher taxes, higher costs, and more mandates on small businesses that are the lifeblood of the American economy. Doing so threatens to curtail significantly the entrepreneurial drive, determination, and ingenuity that have propelled American leadership for decades.

Rather than encouraging them to focus their efforts on developing their ideas and building their business, the new law floods entrepreneurs with paperwork requirements and a bevy of new taxes.

To get the engine of jobs creation going again in the small business community, it's crucial that the next Congress get ObamaCare off the backs of entrepreneurs by repealing this law and starting over with a sensible, business-friendly plan.

Grace-Marie Turner is president of the Galen Institute, www.galen.org.



Immigrants and Entrepreneurial Aspirations

By *Sandy Vargas*

The current debate about immigration does not often include the entrepreneurial assets immigrants bring to this country and to our communities. In the Twin Cities and throughout Minnesota, immigrants have been opening businesses with their own ideas, their own culture, their own capital and sweat equity, and often without having access to much traditional small business assistance.

In spite of these obstacles, immigrant-owned businesses have sparked revitalization in depressed central city corridors, sparse suburban strip malls, and in low-growth rural towns throughout Minnesota. In fact, immigrants saw opportunity in low-income communities where others just saw crime and distress. In their search for a better life, these new residents have created economic value that serves broad and target markets, they have created jobs, and they pay taxes.

Where is the evidence? All we have to do is look at what has happened to Lake Street over the last decade. It was a deserted part of Minneapolis where most people saw only high crime and low economic potential. Latino entrepreneurs brought a different perspective; they were willing to take risks to better the lives of their families. The numbers tell the story: In 1994, there were four Latino businesses on Lake Street; in 2005, the Lake Street Council counted 169 Latino businesses; the current number, conservatively estimated by the Latino Economic Development Center, is over 250. Although specific numbers are not available, it would not take much to extrapolate the amount paid in rent, utilities, and leasehold improvements. Latino entrepreneurs have created an explosion of economic activity that has had a positive effect toward building solid economic activity throughout this low-income community.

To understand the ripple effect, a business called La Loma Tamales provides an excellent case study. This food business started in 1999 as a small vendor in the Mercado Central on 15th and Lake. The immigrant owners now have a factory, multiple retail restaurants, and plans to franchise new food products in the coming year. They just opened an outlet in downtown Minneapolis in addition to their locations on Lake Street. Their employees have full-benefit packages and company support for education and development. They also buy from many vendors and suppliers. This business creates and supports many jobs. This is the profile of a successful multi-million-dollar Minnesota business whose owners happen to be immigrants and who started in what was a run-down neighborhood.

They are not alone. Minnesota has an estimated 6,640 immigrant-owned businesses throughout the state, with more being started every day, many in low-income neighborhoods. This kind of entrepreneurial energy and drive serves our neighborhoods and our state economy well.

The Minnesota Chamber of Commerce advocates the need for more immigrant workers and entrepreneurship to help Minnesota grow. Research gathered for the Chamber shows that in 2000, immigrant businesses produced \$331 million dollars in net income. This report also states that immigrant entrepreneurs are essential to revitalizing neglected neighborhoods.

What does all this mean? This means that if immigrants continue to assert their entrepreneurial aspirations, which are higher than the native-born population and which manifest themselves in less attractive locations in a city, suburb, or rural community, then they will be an essential ingredient in revitalizing our communities, our cities, our suburbs, and our rural towns. They will become part of the mosaic that defines a prosperous Minnesota.

Sandy Vargas is president and CEO of the Minneapolis Foundation.

Do as Little as Possible

by Lou Wangberg

My first instinct in answering this question rises out of my well-developed conservative paranoia about big government, with its high taxation and creeping regulation. My response would reflect alarm that we are slowly killing the goose that lays the golden egg. I expected to offer a highly indignant and passionate warning about the excesses that destroy initiative in our nation. Have we not steadily increased the restrictions that businesses must overcome? Are taxes not so high that they discourage innovation and investment? Why would anyone want to continue to engage in entrepreneurial risk? Isn't America past its golden age?

I wish we didn't even need to ask these questions. It has always struck me as a happy coincidence that Adam Smith's *Wealth of Nations* was published in the same year that the American Declaration of Independence announced the launching of our new nation. Wasn't this perfect serendipity? During the first American century, business exploded, unimpeded. Inevitably the very size and complexity that entrepreneurs created became abusive of people, the environment, and the national interest. Beginning in the 1880s, government began to step in and has gradually increased its policing role over the past 125 years. In spite of this, however, entrepreneurs continued to innovate and create new opportunities for creating wealth.

So I went looking to find "truth." I was delightfully shocked at what I discovered. The *Global Entrepreneurship Monitor* reported in a 1999 study of eight major industrial nations that the United States led in the creation of new businesses. Of the eight, the United States had one in 12 adults (8.5 percent) trying to start a new business. Only Canada was close at 6.8 percent. The next ranked was half of the United States at 3.4 percent. Not bad, but it got better. Over the next ten years things improved, and as recently as 2005 we had 12.4 percent, or one in eight, working on new business start-ups. The most recent numbers in 2009 had the United States

at 10.9 percent. Our pattern over these past ten years has remained relatively high, even though the adversities that entrepreneurs must overcome have certainly increased.

As good as that may sound, I wondered if there's a "canary in the coal mine." Some of the emerging economies of the world do much better at entrepreneurship than the United States. Mexico is at 11.3 percent, India at 12.1 percent, Brazil at 12.8 percent, and Indonesia at 19.3 percent. Most analysts see China as our great competitor now and almost certainly even more strongly in the future. It's amazing that with a highly controlling totalitarian government, China is more entrepreneurial at 14.1 percent. Why? We don't know for sure, but it needs watching and understanding.

A serious recession and high unemployment are compelling reasons to examine whether we have abandoned America's long legacy of innovation and leadership in creating businesses and jobs. Are there new and insurmountable obstacles that must be removed or changed to continue our creativity? There is some recent warning news. The number of entrepreneurs starting new businesses dropped ten percent in the wealthiest nations last year and fell 24 percent in the United States, according to a report released in January by the *Global Entrepreneurship Monitor*. Bill Bygrave, one of its founders said, "Throughout the world, would-be entrepreneurs reported greater difficulty in obtaining financial backing for their start-up activities, especially from informal investors—families, friends, and strangers."

The fundamentals of economics scarcely change. It's the entrepreneur who brings together the factors of production:

- Land, which includes the gifts of nature, or natural resources not created by humans. It includes deserts, fertile fields, forests, mineral deposits, livestock, sunshine, and climate.



- Capital, which includes the tools, equipment, machinery, and factories used in production, as well as the financial capital.
- Labor, which includes the people with all of their efforts, abilities, and skills.

To answer the symposium’s question, one must ask if any of the factors of production has been eliminated, diminished, or in some way made discouraging to the entrepreneur. The statistics tell us that so far they haven’t.

While entrepreneurs develop widely varying businesses, they share some attributes. Almost without exception they have extraordinary drive, determination, and discipline. Innovators have unique ideas and knowledge. They also possess specialized skills and sometimes management expertise. What can hold them back is a lack of funding, technology, marketing skills, and sometimes management abilities. Mountains of regulations and paperwork can slow and frustrate a start-up.

Therefore, my answer is that we should do as little as possible. Based upon the evidence, the climate for innovation and entrepreneurship in America is still strong. Nevertheless, we must make sure some things are valued so we don’t inhibit entrepreneurship. Some essentials:

- Government has to stay out of the way. We should choose leaders who generally oppose government over-regulation.
- While limited and controversial, in some cases the creation of incentives for business investment and expansion has and will stimulate a return on the public investment.

- Clearly, wise tax policies do encourage entrepreneurs.
- Assistance to simplify our complex and sometimes bewildering technological world for business can pay dividends.
- No business can develop without good, old-fashioned money. Anything that encourages venture and other kinds of capital infusion is highly important.

Finally, and perhaps most important, we must ensure that society continues to have positive attitudes about entrepreneurs and entrepreneurship, and that takes leadership. If that is maintained, then all of the other elements will fall into place, as they have throughout the American story.

Lou Wangberg is a teacher, former superintendent of schools, and former Minnesota lieutenant governor.

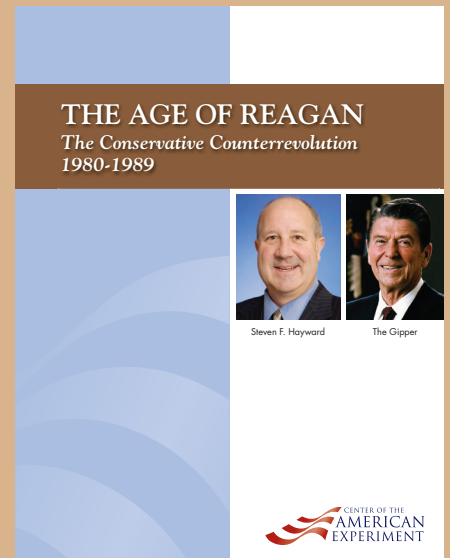
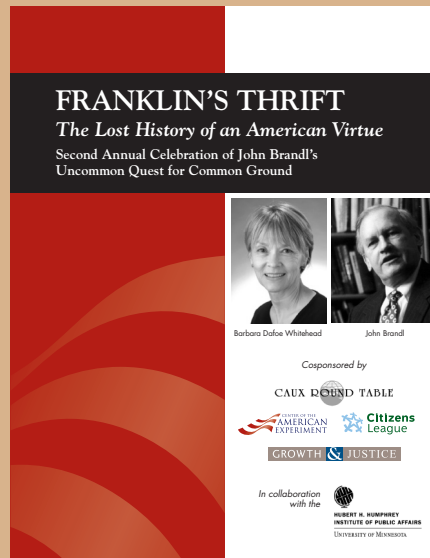
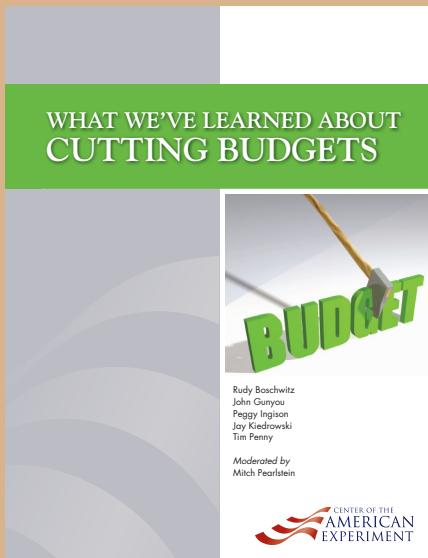


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