WEALTH CREATION VS. JOB CREATION

Why Creating Jobs Isn't the Real Answer to Our Economic Problems

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[Abstract here]

Introduction - Job Creation vs. Wealth Creation

Most of us believe that America's economic future is about "new jobs," which is understandable since the media and politicians endlessly parrot "job creation" as the big answer to our economic woes. But job creation is only part of the solution to the nation's economic problems. Creating jobs can be good, but its effect is limited. It does little more than address a symptom (joblessness) of a broader underlying economic problem – the lack of growth. On the other hand, creating *wealth* is fundamental – its positive effect is far reaching.

Through wealth we create resources to help others spread human prosperity. Instead of just creating jobs, we need to focus on creating wealth, because wealth empowers individuals to grow and thrive and strengthens communities — the opposite of poverty. Our ultimate freedom as a nation, and true individual liberty, come only through wealth creation.

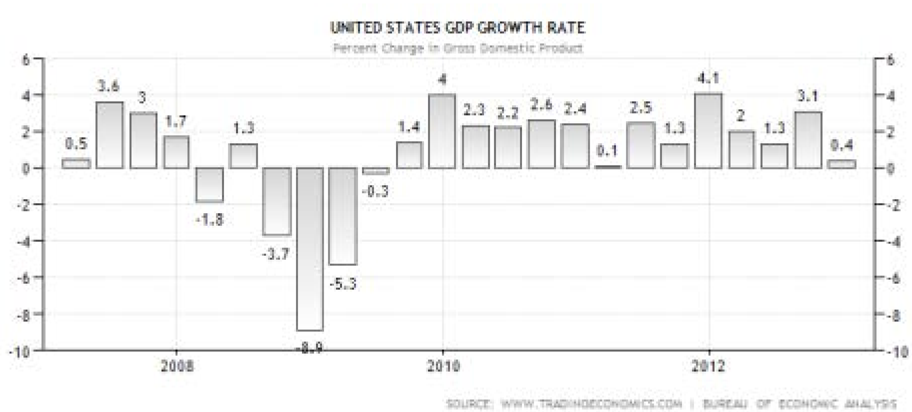
Lack of Economic Growth Stalls Job Creation

Instead of just focusing on "jobs," U.S. business and political leaders must come to understand the essentials of wealth creation, their role in it, and how it affects job creation. Sustaining our nation's economic growth, and avoiding bankruptcy, depends on it. In fact, if all we do as a society is create jobs, if that's the limit of our objective, we will ensure the country's bankruptcy.

Just creating more and more jobs without creating and increasing *buying power* is what will bankrupt the country. Lots of jobs that don't pay much, or that don't permit employees to increase their wealth over time, don't sustain the economy. If congress passes a law requiring everyone to work at minimum wage, there will be plenty of jobs, but no one will be able to afford to buy anything. And if we have full employment, but the employed have no purchasing power, companies won't have customers that can afford to buy their products. Declining buying power among workers is the problem that will bankrupt us.

The real problem in the United States is the lack of economic growth, and the lack of economic strength necessary for economic growth. Let's look at some pertinent statistics that illustrate the problem.

The U.S. job market is dependent in large part on GDP growth, and today it is barely creating enough jobs to keep up with population growth. We just aren't creating *additional* jobs. We aren't creating jobs right now because we aren't creating wealth. We aren't growing at a sufficient pace. Average real GDP growth since 2009 has been under 2.0 percent and remains stubbornly low, and, predictably, unemployment has remained stubbornly high at between 8% and 10%.



It's a basic fact that employment is determined in the labor market as the intersection of labor demand and labor supply. While many factors affect labor demand (e.g., technological change), the primary labor demand factor is economic growth. There is an historic correlation between economic growth (wealth creation) and job creation (employment). Employment increases when the wealth increases. When economic activity increases, wealth is being created, and jobs increase. As GDP increases and the economy grows, employment increases correspondingly, albeit at a different rate. Likewise, as GDP decreases and the economy shrinks, employment drops. In an economy that is not growing or growing very slowly, employment rates don't improve measurably.

A widely accepted rule of thumb, known as Okun's law,[1] identifies the relationship between jobs and growth. A *Bloomberg* article integrating data from the highly volatile Great Recession period noted that "the rule of thumb holds that for every percentage point that year-over-year growth exceeds the trend rate - which Federal Reserve policy makers peg at between 2.3 and 2.6% - unemployment drops by half a percentage point." In other words: a 1% decrease in unemployment will occur when the economy grows about 2% faster than expected. The Kansas City Fed has concluded that "Okun's law predicts that growth slowdowns typically coincide with rising unemployment."[2] Federal Reserve Chairman, Ben Bernanke, perhaps most succinctly summarizes Okun's law basic concepts:

> Okun noted that real GDP growth close to the rate of growth of its potential is normally required, just to hold the unemployment rate steady. To reduce the unemployment rate, therefore, the economy must grow at a pace above its potential. More specifically, to achieve a 1 percentage point decline in the unemployment rate in a year, real GDP must grow approximately 2 percentage points faster than the rate of growth of potential GDP over that period. So, if the potential rate of GDP growth is 2%, Okun's law says that GDP must grow at about a 4% rate for one year to achieve a 1 percentage point reduction in the rate of unemployment."[3]

Aside from this historically understood fact that economic growth is necessary to job creation, we must also understand that economic growth requires buying power. Yet in the United States, buying power has declined. Real income levels have declined, which means we're not creating wealth, or increasing prosperity, or enabling workers to increase their economic power. This decline in buying power is also preventing the U.S. from creating jobs.

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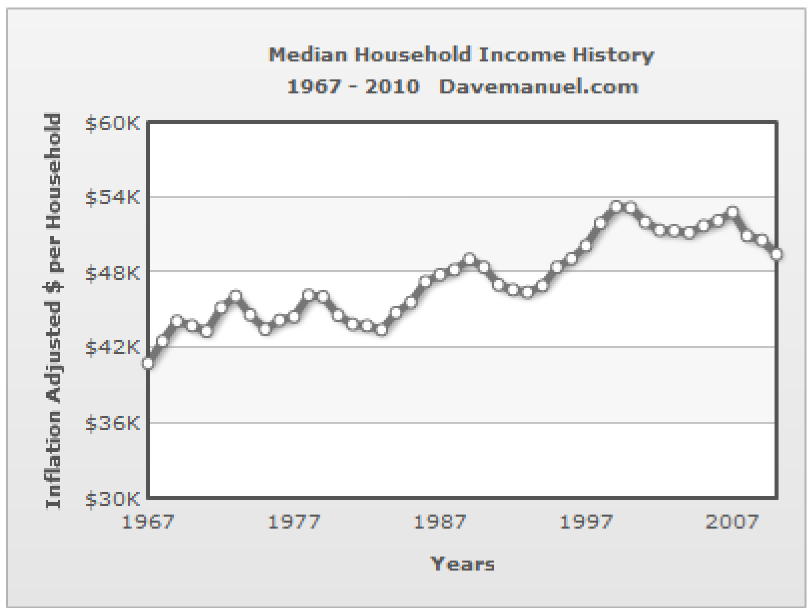
[1] Yale professor and economist, Arthur Okun.
[2] http://www.investopedia.com/articles/economics/12/okuns-law.asp
[3] http://www.investopedia.com/articles/economics/12/okuns-law.asp

The purchasing power of $100.00 in 1970 is the equivalent of the purchasing power of $579.00 in 2011[4] and $598.00 in 2013.[5] Another way of saying this is – in 2013 it takes $598.00 to buy what $100.00 would have bought in 1970. So the purchasing power of the money we're paying employees has declined substantially. Even though workers are spending more dollars today, they're not *buying* more with those dollars.

Looking over the last century, the loss of buying power is even more dramatic: the $100 bill that a worker had in his wallet in 1900 would now be worth only $3.48! $100 in 2012 has the *purchasing power* that $3.48 had in 1900; $10,000 today is needed to buy what $348 would have bought in 1900. That's a 96.4% decrease in buying power.[6]

In just the last three years real median household income in the US dropped -7.08%, while U.S. median family income has dropped -7.16% and real per capita income has dropped -7.33%. Real median household income in 2011 was $50,502, which is, remarkably, at about the same level it was in 1989 ($50,624.00); for 23 years real income has stayed essentially the same. Purchasing power has not increased at all in nearly a quarter century.[7]



For men, real earnings have actually dropped over the last 38 years. In 1973 the average full time male worker earned $50,622 a year, in 2011 dollars. By 2011 that annual earnings figure had *dropped* to $48,202.[8] Moreover, from 2000 to 2011, median income for working-age households fell from $63,535 to $55,640, a decline of $7,895, or 12.4 percent.[9]

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[4] http://www.measuringworth.com/ppowerus/
[5] http://www.usinflationcalculator.com/
[6] http://observationsandnotes.blogspot.com/2011/04/100-year-declining-value-of-us-dollar.html
[7] Data Source: U.S. Census Bureau. 2011. Tables F-5, H-5, and P-4 from Historical Income Tables, @ http://www.census.gov/hhes/www/income/data/historical/index.html.
[8] http://www.epi.org/publication/lost-decade-poverty-income-trends-continue-2/; **Source:** Current Population Survey Annual Social and Economic Supplement Historical Income Tables, Table P-41, "Work experience- All Workers by Median Earnings and Sex: 1987-2011," and Table A-4, "Number and Real Median Earnings of Total Workers and Full-time, Year-Round Workers by Sex and Female-to-male Earnings Ratio: 1960–2011."
[9] http://www.epi.org/publication/lost-decade-poverty-income-trends-continue-2/; **Source:** Current Population Survey Annual Social and Economic Supplement Historcial Income Tables, Table H-5: "Race and Hispanic Origin of Householder--Households by Median and Mean Income: 1967–2011."

All of this means that while we may still be creating jobs, we are becoming poorer; it takes more to buy less. We aren't empowering the economy by increasing wealth or increasing purchasing power. Salary alone doesn't keep people in business. If everyone is making a salary only and no profit, then the economy doesn't grow. If companies aren't growing, they can't keep paying salaries. If companies exist only to create paychecks, and there's no growth/profit, the long-term ability to issue paychecks is jeopardized. It's a mistake to focus on the number of jobs created or the number of jobs "needed"; we must instead focus on the purchasing power those jobs generate. We not only need jobs, we need jobs that empower individuals to create wealth and increase their buying power.

To attempt to create jobs as an exercise separate from economic growth is folly. What sustains economic growth is economic strength, which derives from a culture of wealth creation.

The solution is "wealth creation."

Most people understand or grasp that creating wealth is a good thing (though many openly disparage it through ignorance or malice). But they don't really understand what wealth is, *how* wealth is created, or the value of wealth creation to individuals, communities, and nations (hint: it's not just about money). They are, consequently, ill-equipped to take the fundamental action needed to foster wealth creation.

Creating jobs is not an end in itself, though many mistakenly think this to be true. The only reason to create more jobs is that doing so actually creates more wealth. There's no value in creating jobs if those jobs don't create wealth. Only wealth creation leads to sustained prosperity, because without first creating wealth, we can't create jobs. Employment can't occur without the means to pay for it. Those with resources (wealth) discern how to productively deploy those resources, and in the process of that deployment jobs are created.

What is Wealth and Wealth Creation?

"Wealth Creation" is a cultural imperative — because without it culture can't sustain itself. This new wealth model can only happen in the U.S., for it is the one place where the traditional employment model (owners employ workers and workers are not owners) has been fully tested, run its course, and demonstrated its limits. We need to graduate from that old employment model (which worked well and led to great prosperity), and recognize that we can now move on to the next stage — expanding the wealth-creation engine to encompass a far broader ownership base and permit much higher participation levels— which is the only way out.

What do we mean by wealth? Most assume that wealth is money and property alone. But, there are many forms of wealth; it's really anything that adds to human prosperity. Knowledge, for example, is wealth, for it enables effective decisions, action, and improvement.

What do we mean by wealth creation? At its core, creating wealth is "adding the highest value." There are many things that add value. Creativity, know how, hard work, staying focused, discovery, innovation, learning, efficiency improvements. If an individual employee learns something, and then shares it by educating others (like co-workers), that one person's act of sharing knowledge creates value and wealth among others. How does this happen?

Unleashing the Wealth-Creation Mindset

If you have created a unique thing, wealth grows when you share it with the world, whatever it is, as long as it adds value. As more people are able to *use* the knowledge, life improves for many and that improvement multiplies quickly. If you only use the idea yourself, and don't share it, you create less wealth. One person can only use what they know in limited ways. But millions of people can use the same information in unlimited ways, exponentially increasing its utility and benefit. For example, we can create wealth for many customers by delivering a better product or service at a lower price. And those customers, as a result, are then in a position to deliver a better value to their customers, and so on.

Long term, sustained economic growth depends on a mindset of continuous improvement. By thinking habitually and purposefully about how our efforts and creations can make something better and benefit others, we think beyond ourselves, as part of the bigger enterprise of mankind — and through this practice we can bring abundance. A fundamental truth is that we are all one (we are all interdependent), and this oneness principle leads us to share our wealth with the world. Thinking as part of the bigger one adds value, and those who have embraced this mindset as a method of thinking (a discipline or habit), are able to add value everywhere, not just at the job, but in everything we do, in all aspects of life.

Unfortunately, in our culture people don't yet recognize these truths, and don't share because they perceive (correctly) that everyone else is in it for themselves, so they must be too. They are paralyzed by the scarcity mentality.

Why do we Need Wealth Creation? Why is Abundance Good?

Wealth is a resource and a tool. Through the wealth-creation process we create resources that lead to human prosperity, and cure ills, societal and otherwise. Thus, wealth creation is a necessary virtue. Increasing money and wealth is necessary to enable more wealth creation. The highest level of human freedom comes only when the individual is creating wealth. Without wealth, the promise of human liberty is abridged or lost.

> *"Wealth is evidently not the good we are seeking, for it is merely useful and for the sake of something else."*
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> — **Aristotle**, *Nicomachean Ethics*

Think of all the little and big things that have changed human experience for the better (inventions, science, technology, agriculture, etc.), and realize that they were all made possible by wealth. Turning an idea into reality takes resources. The resources necessary to bring an improvement into existence must exist before the improvement can occur. Once created, wealth enables improvements to be developed, perfected, and made accessible to those who need them.

When used properly by those responsible for its disposition wealth fosters abundance and prosperity, improves the human condition, and liberates mankind to achieve, produce, and accomplish unimaginably wonderful things. Wealth allows us to spread goodness. Wealth doesn't exist for us to *possess*, it exists to be *used*. Its purpose is to enable improvement of the human experience.

Most agree that eliminating conflict and attaining sustained peace are important civilizational objectives, yet few recognize that it is wealth creation, and maximizing prosperity everywhere, that will truly lead to broad-based peace among peoples and nations. In this sense, wealth creation is perhaps the most essential thing we can do. To attain this level of wealth creation, wealth stewardship and its associated duties must be fundamentally understood by all. Employers and job creators have a significant role to play in shepherding wealth creation.

Wealth Generates the Strength and Independence Necessary to Sustain Growth

Economic transactions are how we create and sustain wealth; for nations this includes international trade. For economic transactions to work best, interdependent parties must collaborate effectively. Before a person or a nation can collaborate effectively and successfully with others they must be independent and self-sustaining. The best collaborations, the most wealth-producing collaborations, occur among parties that are first equally independent and self-sustaining.

International trade is not even an option until a nation is sufficiently strong economically.

When one side has more independence, then the less independent party or country suffers in the collaboration or negotiation, and can't do its best. To bargain and trade successfully on the international stage, a country must be *internally* very strong. It must bargain from a position of economic strength, not weakness. When a country is financially weak, because its people are not prospering, and the economic engine isn't growing, that weakness prevents it from engaging in international trade successfully. The stronger parties gain a significant advantage.

The U.S., and any nation, is most powerful when it doesn't *rely* on other countries to supply essential goods. Part of a nation's economic independence is being capable of meeting its own needs and not depending on other countries to do so. For a nation to be strong externally, it must first be strong internally, which means individuals must be strong and have buying power – i.e., they must be creating their own wealth. When a nation is self-sustaining, it is independent. This independence is the strength necessary to avoid bad deals, and insist on good deals. Independent nations can better govern their economic relations and opportunities.

Wealth enables and fosters independence. Independence in turn enables and fosters wealth creation. Wealth creation enables individuals and nations to be stronger and thus better positioned to make better, more successful economic transactions. Wealth gives us more choices, more options, and the ability to make superior judgments; which is a form of strength and power. With wealth, desperation recedes, along with the poor choices desperation renders. A company's employees are strengthened and empowered when permitted to participate in wealth creation.

Countries and individuals that are economically strong and independent are best positioned to wisely and effectively deploy wealth as a wealth-creation tool; they are capable of focusing on quality and value. When economically weak, they are instead forced to focus on only price – i.e., what is affordable rather than what is of the highest value. When a nation is not strong economically, it will make bad international trade deals; when it is strong it can't be preyed upon by outside economic forces.

Moreover, nations that drive international trade from a position of strength raise the standards, thereby adding value by leading the entire world to improve. When a strong nation leads other countries into solid successful trade deals, the world benefits from the standards it drives through its strength. Such nations *add value* through their strength. Likewise, nations that engage in trade from position of weakness can't add value.

Wealth – Isn't it the Root of Evil?

We live in world where wealth is widely disparaged (and misunderstood, and misrepresented) as an evil, ill-gotten byproduct of greed. But, it is only the *misuse* of wealth by its possessors that can be evil — wealth itself is not evil. Pointlessly consuming, idly holding, or destroying wealth is not good stewardship, but misuse.

Too many in our culture villainize wealth, success, and prosperity rather than nurturing them. They see wealth as a problem rooted in greed and exploitation – the unstated innuendo is that the wealthy took from others, and that it's not *fair* that they have it. Sadly, many wrongly believe that creating wealth is also bad (because it's just greedy); these same people believe that creating *any* job is always good, regardless of whether it creates wealth.

But this perspective conveniently ignores that wealth is *created*, not just transferred from one party to another. The creation of wealth is what liberates individuals. Sadly, employee participation in the wealth-creation process is uncommon in business. Imagine an employee with no stake in the employer's business, except his job. That employee is likely to feel undervalued and not too interested in working to "make someone else" rich. This employee doesn't innovate or create. Following instructions is sufficient. But, if employees at a particular company own one third of the business, they are a lot less likely to view their employers as "evil," or "money-grubbing," or "exploiters."

Money used as a tool is not evil. It is a permit for exchange. It enhances one's ability to add value and solve more problems. The more resources one has, the more positive problem solving that person can accomplish. Poverty is a scourge for humanity. It is an evil that can be effectively diminished through wise wealth creation and deployment. Our objective as a society should not be to just give people what they need to survive, but, instead, to create and *maximize* prosperity.

When we think of money as something we "own" rather than something we are allocated to use to add value, then money is a negative, because its real purpose is not understood by the possessor. It is the ownership mindset (i.e., the "this is mine" mindset) that always leads to misuse of resources.
Our fatal conceit is that we can "own" anything. Once we understand that we don't own wealth, then we begin to grasp that we are "managers" of wealth only, and that our purpose in managing wealth is adding the highest value in all our endeavors. With wealth we create more resources to help others and spread goodness. The real objective is advancing and expanding human prosperity.

We are only managers of wealth. Deep down inside we understand that we are *stewards* of what we have. The best stewardship is deploying wealth in ways that lead to more wealth, and more wealth creation. As stewards, our job is to responsibly and wisely govern the wealth we control … to use it purposefully to improve something else. We must understand that wealth is given to us to use for the benefit of others — because through this process wealth grows. Otherwise, wealth shrinks. Stewardship is sharing wealth. Sharing wealth is what leads to more wealth creation.

A non-ownership mindset is necessary for wealth to be understood as a tool.

Employees can be Essential Participants in Wealth-Creation Processes

If people don't participate in the wealth-creation process, then they don't really ever learn what wealth is, how it improves the human experience, or the responsibilities of stewardship that go along with wealth possession and control. By not allowing and shepherding employees to be wealth creators, employers not only don't create wealth, they deny employees the opportunity to become responsible stewards of wealth, thus rendering them less able to create wealth generally.

This is unfortunate, because the more responsible stewards of wealth we create by allowing participation in the wealth-creation process, the more people that can give back to society, make a positive difference, and help the world and eliminate its ills, and the fewer people that will misuse wealth for evil purposes.

Employees permitted to participate in the wealth-creation process are educated through their participation, and come to understand the process for what it is – an essential good to human advancement. Participants in wealth creation, recognizing this, are no longer "against" wealth creators or the rich.

When an employee has only what they perceive as "a job," that's all they do — their job. They do only what is necessary to meet expectations and collect their paycheck. They don't add value. But when they are permitted to participate in the wealth that is created through their job, they become engaged and much more productive. When employees become partners in the enterprise (as owners or profit participants), they innovate, and become problem solvers rather than problem creators. As they do these things they add value. They strengthen themselves as they strengthen the enterprise.

How do we know that "employees" are less creative or innovative than those who have a stake in the company?

At my own company, Poly-Carb, Inc., with 100 employees, I established a program under which one-third of the company's profits were shared among the employees, one-third was retained by the company for future growth, and one-third was paid to investors (owners). After implementing the program, I witnessed a remarkable employee empowerment first-hand. When I told employees that they will receive one-third of the company's profits, I observed important changes immediately:

- Employees began participating in the company's processes and innovations.
- They became problem solvers rather than problem creators.
- Productivity increased because employees suddenly had a keen interest in ensuring that the company's profits rose.
- Employees' stewardship of the company's wealth was transformed because they were given an interest in it.
- They assumed responsibility because wealth-management outcomes now affected them personally.

All of this occurred because employees understood that they were participants in the wealth-creation process. They no longer perceived that the owners were adversaries on the other side of the table. The interests of owners and employees now converged. We also learned that when managers are told that their job is to *enable employees to be their best*, as opposed to just directing them, productivity goes up.[10]

Studies far too numerous to recount here, and spanning the last 30 years, measuring the impact of employee ownership and/or profit sharing, and the benefits derived by both companies and employees, overwhelmingly confirm the experience I witnessed at Poly-Carb. Examples of findings include:

- On average, employees in Canadian establishments that adopted profit sharing during 1999 - 2001 appeared to benefit from the introduction of profit sharing, in terms of both their cash real earnings growth and total real earnings growth, in the five-year span following introduction of profit sharing. This advantage was both statistically and practically significant, adding about 15 percentage points to real employee earnings growth over the five-year period, a period during which employee earnings growth was generally modest.[11]

[10] It's equally important in this model that one third of profits be devoted to future growth (for this ensures strength that the employees can rely on), and that one third be retained by investors and owners, thus giving entrepreneurs a tremendous incentive to start and continue building companies.

[11] *Do Employees Profit from Profit Sharing? Evidence from Canadian Panel Data*, Richard J. Long University of Saskatchewan, Tony Fang, York University, and IZA Discussion Paper No. 6749, July 2012, http://ftp.iza.org/dp6749.pdf

- Based on a survey of 500 publicly traded companies, controlling for a variety of influences on productivity, profit-sharing adoption is found to be associated with average productivity increases of 4 – 5 percent, with no subsequent positive or negative trend. The productivity increase is dispersed; it is found to be larger for small companies and for cash plans.[12]
- Uses data from NBER surveys of over 40,000 employees in hundreds of facilities in 14 firms and from employees on the 2002 and 2006 General Social Surveys, empirical analysis shows that shared capitalism has beneficial effects on turnover, loyalty, worker effort, and other outcomes affecting workplace performance, and that its strongest effects are on turnover, loyalty, and worker effort when it is combined with: a) high-performance work policies (employee involvement, training, and job security), b) low levels of supervision, and c) fixed wages that are at or above market level. Most workers report that cash incentives, stock options, ESOP stock, and ESPP participation motivate them to work harder.[13]

When employees are offered the opportunity to be owners of the company they become more efficient and more interested in serving customers. They develop an improved attitude about their company, their job, and their mission. They accept more responsibility for the company's performance and success. Given the well-documented benefits of employee ownership, it remains quite surprising that far more employers don't seize this productive and competitive advantage. When individuals are given a vested interest in outcomes, they take responsibility, and it leads to efficiency.

An example of employee-ownership success is Southwest Airlines. With 13% employee ownership and an employee-focused corporate culture, Southwest has posted profits for 39 consecutive years, while other airlines (none with employee ownership) were in bankruptcy, struggling for survival through merger, or going out of business. Other highly successful employee-owned companies include Publix Supermarkets, Cliff Bar, and W. L. Gore and Associates (Gore Tex).

Wal-Mart, for example, through various policies, gave all of its "associates" a vested interest in the store's performance. This changed the associates' behavior, improved the stores' bottom line, improved the associates' earnings, and improved the customers' experience. Wal-Mart permitted its employees to add value and participate in wealth creation by giving them a stake in outcomes. Needless to say, this has been a great success, given that it is part of what propelled Wal-Mart to the performance levels it has attained.

What we're talking about is turning employees into wealth creators and innovators; people who, as part of their work, add value and create more wealth. Jobs that create wealth are good. But jobs that create wealth for the employer, the employee, the suppliers, and the customers are better.

Why Employers Don't Allow their Employees to Participate in Wealth Creation – A Scarcity Mentality

Despite the studies and compelling evidence that allowing employees to participate in profits or ownership (giving them a stake in outcomes) is beneficial for companies, most employers have a "scarcity mentality;" they think the pie is fixed in size, not recognizing that it can grow. Why do so many employers have a scarcity

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[12] *Does Profit Sharing Affect Productivity?,* NBER Working Paper Series, National Bureau of Economic Research, November, 1993, http://www.nber.org/papers/w4542.pdf?new_window=1

[13] *Creating a Bigger Pie? The Effects of Employee Ownership, Profit Sharing, and Stock Options on Workplace Performance*, Joseph R. Blasi, Richard B. Freeman, Chris Mackin, Douglas L. Kruse, NBER Working Paper No. 14230, National Bureau of Economic Research, August 2008, http://www.nber.org/papers/w14230

mentality? It's rooted in an "ownership" and a "protection of wealth" mindset, which is pervasive in American culture. Embedded in our cultural mindset is the notion that when one gets rich it's done at the expense of others. We think wealth comes from being superior to others, and having more than others. Human frailties — jealousy and ego — also play in this. These characteristics of our business temperament are rife with misunderstanding.

> *"To get what you want in life ...*
>
> *help others get what they want."*

Because of this mindset most employers are focused on building what *they* own, and not so much on others. Success is viewed as little more than acquiring more things. They measure their accomplishments by what they have, not by what they've done, and definitely not by what they've done for others.

Most employers pursue their own success, see the pie as *theirs*, and don't see much sense in having employees participate in it. They don't think much of their employees' success, caring only that employees perform their assigned tasks; in their minds it's quite enough to pay them an agreed wage. Employers are focused on the "bottom line," (i.e., business profit), which is expected, but they usually don't realize that the *real* bottom line and joy of life is bringing prosperity and true happiness to others. It's only when we make a true difference to others that we have true wealth. A person's "true wealth" is their self-worth, which comes from truly making an unconditional difference to others.

Many employers and business managers feel threatened by hard working, intelligent, capable employees – inside themselves they fear that such employees may make them look bad or upstage them. Sometimes an energetic employee with great credentials, enthusiasm, and a can-do attitude are perceived as a threat to managers who aren't so capable or energetic, or who don't work so hard. So, instead of rewarding and encouraging such employees, these employers or managers go out of their way to quash the high-performing employee's relevance and accomplishments. They often drive such employees out by diminishing and frustrating them. All for the sake of protecting the manager's fragile ego, and their fear of being made to look bad themselves by an earnest, diligent, up-and-coming new hire.

Unfortunately, for far too many CEOs it's "all about them," and to protect what they perceive to be their own turf and identity, they don't allow such an entrepreneurial environment to exist within their realm, for fear that it may steal their thunder, or upstage them. They don't want the competition. They discourage others from shining (even if only subconsciously). They want all the glory for themselves. Some would conclude that they don't *believe* in other people.

When employers restrain individuals' freedom to think and act with requisite autonomy, the diffusion of power away from the individual and to the employer increases the risk that the employer will become shortsighted and dictatorial. These employers deny themselves the opportunities and benefits of thoughtful ideas generated by employees free to think for themselves. (Why would they do this?) And it has predictable results: the employees' chance of becoming good, productive, and happy wealth creators is diminished, the employer's business is less dynamic, and the employer's customers pay more for less.

But, if an employer and its managers reward innovation and permit and encourage employees to expand their knowledge, learn new skills, and think for themselves, those employees deliver more value to the organization. They are enabled to do their job more *effectively*, which increases productivity.

How does this benefit the employer? As employees become more effective they produce more with less, which delivers more value to the organization, enabling it to deliver more value to customers. This in turn enhances the reputation of managers with the good sense to hire and encourage such bright, productive employees. These highly productive employees are worth more to the employer, which can compensate the employee at a higher level, in accordance with and because of the added value they've created. Productive employees are happy employees, and the more the employee produces, the better off everyone is.

We find this in companies where egos are set aside and people work together to attain larger objectives. Think of apple's mission: it focused on empowering individuals, not just making money. It became the biggest company in the world in large part because it produced products that enable millions of individuals to create wealth. Apple added value, and the profits followed. Microsoft delivered software that empowered others to be better and more productive than they were before. By enabling others to create wealth by improving their productivity companies produce wealth for themselves too. Everyone is enriched. Companies can do this with their employees too.

For organizations that embrace this truth, the benefits are many. Yet, our ingrained scarcity mentality stops most employers from establishing policies that encourage wealth creation and employee participation in that process and the wealth it produces.

People with the scarcity mentality don't recognize that it's not possession of wealth that matters, but what we are able to *do* with wealth. The scarcity mentality prevents people from realizing that we are all part of the bigger universe, and that we can use the many resources it offers. While what each of us can own will always be limited, every one of us can use resources at our disposal, especially as employees, even though we don't *own* them. This is the abundance mentality. Abundance happens when we let go of our ownership mindset, and understand that it's the stewardship of resources that yields wealth creation, not the resources themselves.

If an Employee Produces More and Creates Wealth for the Employer, How Does This Help the Employee?

Working hard to be thoughtful, innovative, efficient and highly productive improves the employee's own capabilities, wherewithal, and experience. This is empowering. Being a positive, even essential, influence on the employer's bottom line does a couple of things for the employee. One, it gives the employee a credential through accomplishment. Two, it gives the employee *knowledge* of their capability, value, and potential, and thus a higher confidence, a better attitude, and an improved outlook. The employee can leverage the credential and confidence to improve their position with the employer, or to further improve themselves through other prospective employers willing to permit participation in wealth-creation processes.

When an employee demonstrably adds value for an employer, co-workers, customers, or anyone, the employee becomes more valuable, relevant, and necessary. This strengthens the employee and improves his or her position, especially within an organization.

Jobs can be Wealth-Limiting

A job offers an opportunity to learn, grow, and be paid, but in too many cases workers become highly dependent on their jobs and their employer, especially when the job limits autonomy. Most business managers think with a scarcity mentality, and so don't want to give employees too much. This "job" mindset uses people as robots, and expects them to just follow instructions. Many employers actively discourage employees from thinking for themselves. Too often, employers just want employees to do what is defined and prescribed, nothing more. "Don't think, just do what you're told."

As employees become “dependent” on their employers their growth is stifled and inhibited, because they aren’t allowed to be challenged. Many employers don’t *want* them to be challenged. Because of the dependency so many jobs create, some have likened it to a variant of slavery – because these “jobs” are so good at diminishing or destroying workers’ self-sufficiency and independence.

When you work for someone else, and don’t have a stake in the company’s outcome, your creativity is at a minimum. Your personal purpose for working is to get paid, not so much to produce new and better things that add value. You do what is required to get paid, little more.

Moreover, employees are usually trained to do certain limited things. People trained just to be specialists have limited adaptation skills, and they don’t think outside of their specialty. This constrains their problem-solving capabilities and their propensity for innovative entrepreneurial thinking, hamstringing their wealth-creating potential.

How Do We Get From Here to There on This Issue?

How do we start making the change to wealth creation? Sharing wealth-creation activities, rather than limiting them to a select few, creates abundance, not just for some, but for many. If businesses include *everyone*, they win. This “abundance mentality” needs to be broadly recognized and affirmed and supported, so that it becomes pervasive and thoroughly understood.

<u>Teaching Wealth Creation</u> – Employers, trade organizations, and educators need to teach employees (and future employees) what wealth creation is, and at a level they can understand. When they understand wealth creation, they are better able to engage in it. Our business leaders and educators must thoughtfully and persistently *counter* the erroneous cultural dogma that paints wealth and wealth creators as negatives.

Employers must convert employees to a “value-adding mindset” by focusing on re-training employees not as job seekers, but as owners, as value adders, as problem solvers. Essentially, employers should want employees to both *be* irreplaceable and understand *how* to be irreplaceable. This requires cross-training employees, rather than training them in silos, permitting employees to participate by pooling talents to work together. It requires training employees to be generalists first, capable of using combined technologies, thus improving their value and capabilities as specialists. (Too many specialists know only their specialty.)

Improvements in labor productivity through innovation and creativity create wealth. It’s not labor that’s needed; what’s needed is a “creative work force.” One way for businesses to engage employees in the wealth-creation process is to require or encourage that they apply themselves as follows:

- One third to learning new skills.
- One third to doing their job.
- One third to thinking about how to do their job better.

This is one way that employees add value, but it will only occur when employers permit and encourage it. Many will suggest that companies can’t afford employees that only work one third of the time, but the truth is that all three of these things are essential components of any job – if we recognize that the job’s objective is “adding value.” Part of the answer is that employees must be devoted, and willing to add more time; employees must “get” that part of doing the job properly is being personally committed to their own improvement and always remaining a student pursuing knowledge, on their own time.
Once employees embrace this paradigm, they are essentially working full time on accomplishing the job at a higher level. It’s not a question of how much time employees spend doing their job; rather, it’s a question of whether employees are doing their job “better,” and accomplishing more with the same amount of time.

When employers and employees consciously focus on learning and improving as *part of the job* the process positions the employee to do their job better, at a higher level. Through these efficiency improvements, the company and its people become more productive and more prosperous.

Cheaper labor is not the answer; efficient, value-adding labor is the answer.

Other simple steps employers can take immediately to empower employees and help them understand their wealth-creating potential include letting them take risks, and allowing them to make mistakes, without punishing them. Deliberately ensure that employees learn the appropriate lessons from their mistakes – this is how they improve and grow. It's easy to catch employees doing things right and reward them. A conscious effort to compliment and recognize employees for even minor accomplishments and improvements goes a long way toward incentivizing more of it. This inspires employees, and leads to more productivity. Many things can increase productivity, but the point is that conceiving and implementing improvements should be encouraged and rewarded – by allowing participation in the benefits yielded.

Then share the wealth. Employers start with a job, and then build the employee relationship, establishing trust; with trust, employee loyalty can be built by rewarding them with ownership. After employees have the mindset, then they are worthy of ownership.

<u>Employees can take immediate action to create wealth too.</u> First, get out of the "job" mentality – don't shy away from doing more than what you are paid for. When employees do *more* than what they're paid for, good things happen. When employees take more responsibility they expose themselves to more learning opportunities – and as they learn more, they solve more problems and become more valuable. For employees, it's not just about doing their best, but *improving* their best.

Activate the Wealth-Creation Potential of Employees

The vast majority of businesses start small. The challenge to growing is finding the right people. For any organization to grow or improve it must have the best, smartest, and most-skilled people — it must surround itself with people it can't afford. How do you get them on board? You give them a stake in the company. How do you get the best people? You attract them. You reward them. You make their lives better than they would be if they choose to work elsewhere. Most importantly, you enable them to be their best by allowing them to participate in wealth creation.

How do you inspire employees to solve problems, to challenge themselves, rather than just being in a "9-to-5" mentality? First, take away their notion that they work for someone else. Enable them to hold an ownership interest in the company. When employees have a direct stake in the outcome of their effort, then they are actually working for themselves; they "own" their productive effort — and they perceive this. Once this "ownership" perspective takes root employees see that their effort and productivity affects them directly, and they become more creative, inspired, on task, focused, thoughtful, motivated, and productive.

Everybody can think like an entrepreneur if given the opportunity. We're all problem solvers by nature and quite capable of entrepreneurial thinking. People innately want to be part of something that matters. They want *purpose*. We all want to thrive, not just survive. The difference between these two is simple: those who thrive are participating in purposeful, value-creating activities. They are relevant, engaged in their world, and rewarded for it. Those who just survive are disengaged, have no stake in the outcome of their efforts, and don't participate in wealth creation.

Unfortunately, many people (perhaps most) don't think they're capable of thinking like an entrepreneur. Yet it's a fact that real power is within us. With the right business model, and leaders with real faith in the individual, that power can be readily tapped.

People have to believe that there is nothing they cannot do. Sadly, most people were never *taught* to think this way about individual potential — it's not one of our cultural priorities. So, they don't believe it, and instead place limits on themselves, or have limits placed on them by others. Many people have been told that they can't do things, so this is what they believe. They are easily and repeatedly pigeon-holed. In the business world they are not typically surrounded by leaders who encourage and permit them to think for themselves or push their own boundaries.

The same is true of charity. Charity and welfare create dependency on the handout, which shuts down self-sufficiency, and removes incentives to produce. To this extent, charity and welfare are a misuse of wealth. This isn't to say charity is bad, it's not. But it doesn't focus on a root cause and *solve* a problem; it just addresses a symptom of the problem. The symptom is the lack of resources. The problem is that the individual is not being shepherded into productive enterprise. They are not participating in wealth creation.

Ownership as Key Factor in Wealth Creation

Ownership (i.e., a stake in outcomes) affects an individual's sense of responsibility, fundamentally. In fact, without ownership there is nothing to be responsible *for*. Ownership is a trigger for responsible action, devotion to an object, and care. Why? Because when you own something, what happens to it matters to you directly. When you own something, its value, condition, success or failure has consequences for your well-being. How you treat that asset, and what you do with that asset, have consequences for you personally.

When someone else owns something, we perceive it as *their* responsibility, not ours. So when a business is owned by someone else (our employer), we don't worry about it, focus on it or care for it in the same way we would if it were our own business, because it doesn't matter to us; it has no immediate or apparent consequence to us. Someone else's business is their problem. Employees worry only about doing what's necessary to get their paycheck, and they don't think much beyond this limited object.

The same thing is true of the "commons" or property that is owned and used by "everyone" (or no one). The commons aren't cared for by anyone, because everyone believes that if they put their effort into maintaining or improving the commons, they will get less out than what they put in. They know they won't reap a commensurate benefit for their effort, because all others who have a right to use the commons will take of its utility, but won't put an equivalent effort into maintaining or improving its productivity. They'll take because all are "entitled" to use the commons and it's free to them, but won't contribute their share – so they take more than what their effort produces and the commons is in short order consumed or destroyed.

Without ownership, which includes the right to reap the benefit of one's productive effort, responsible governance of an asset doesn't occur.

The "American Dream" really boils down to whether an individual adds value through their productive effort, is rewarded for it, and is permitted, and knows how, to govern the disposition of what they produce in ways that create more wealth. To get the American Dream back for everyone, not just the few, everyone must participate in wealth creation. All must have a stake in the outcome.

Beyond Financial Incentives

Giving employees a share of the profits or an ownership position is important, but the effectiveness of these financial incentives is expanded and enhanced when coupled with a business culture and policies that *treat employees as owners*, permits them to contribute ideas, and engages them in decision making. This encourages employees to think and act like owners (an ownership mindset). Facilitating employees' ownership mindset is a key task for employers who wish to gain the powerful wealth-creating edge possible through employee ownership.

Also, as individuals learn to be self-sufficient, and learn to have a wealth-creation mindset, they become strong links within the organization, and in their community. The more strong links, the stronger a company and its community become. Companies fail because of their weaknesses, not because of their strengths. Companies with strong teams minimize the risk of failure because everyone has a stake in the outcome of their efforts. Similarly, when individuals participate in wealth-creation processes the prospect of unemployment is reduced. Why? Because the individual is no longer just an expendable employee taking a paycheck, but a wealth creator that adds value to the enterprise.

Fostering a wealth-creation environment goes beyond just employees. Companies can offer their suppliers and their customers a stake in outcomes too. Imagine a company that not only generates a profit for itself, but for its employees, its suppliers, and its customers too. When these parties are given a way to participate in the company's wealth-creation processes, they will; and as they do, not only do profits rise for all, but efficiency and productivity rise as well.

Impact of Wealth Creation – Far Beyond the Company

Contentment, self-esteem, confidence, independence, individual enterprise, positive thinking, etc. are also byproducts of permitting individuals to participate in wealth-creation processes. These, in turn, strengthen the business culture and society at large. When businesses allow employees and others to participate in the wealth creation process they are affirmatively empowering individuals and nurturing a way of thinking. From the ground up, they're developing, reinforcing, and illustrating a culture of self-sufficiency, and a society more *capable* of prospering.

Beyond the enterprises themselves, employees engaged in wealth creation are delivering broader benefits to society. As more and more employers nurture their employees into the wealth-creation mindset, a new self-sufficient culture emerges, the dependency mindset/culture recedes, and the need for government programs diminishes, thus reducing government's relevance and its stranglehold on the nation.

Extending Wealth creation to employees supports individual liberty and personal freedom. The standard employer/employee relationship today is in some ways reminiscent of slavery … since the employee is under the complete control of the employer in many respects, especially in the area of opportunity for wealth creation. The employer can liberate the employee, but stifles them by prescribing robotic, defined tasks, and limiting compensation to a set figure rather than tying it to what the employee produces.

Entrepreneurs in the U.S. fail at a rate of 95%, which is a monumental waste of resources. Part of the reason they fail is because there is no support system, no culture of self-sufficiency to guide them or prepare them for the rigors of entrepreneurial success. We need incentives *within* companies to bring entrepreneurial activity up *within the enterprise*. If corporations shepherded entrepreneurialism and if CEOs encouraged, fostered, and rewarded such activity we would have much more entrepreneurial activity among employees and in general, and much more entrepreneurial *success*. With this model, businesses, and the U.S., will create many more millionaires, and with such a culture many more entrepreneurs will succeed.

What Happened to the Wealth-Producing Americans?

Is America the greatest country in the world? It can be, it has been; but is it now? How can it be when our culture has abandoned many of the principles essential to wealth creation? How can it be when our culture doesn't have a wealth-creation mentality?

What made us great was our diversity and opportunity, and our freedom, but not those things alone. What made us great was the determination as a nation of individuals to use those powerful tools of liberty to build, to create, to produce, to innovate, to reach new heights of prosperity – to create wealth through the engines of commerce and use it in the best, most productive ways possible. Instead, today we take what wealth there is and seek to redistribute it to those who aren't themselves wealth creators (rather than teaching them how to be wealth creators). This is a tragic, mindless waste of human liberty and the blessings of this country's unique political and economic history.

We have to recognize and acknowledge problems before we can solve them. One of our problems today is that America (the U.S.A.) is no longer able to say unequivocally that it is the greatest country in the world. It's not any longer the greatest country in the world, for many measurable reasons, though *it can be the greatest again*.

What's missing today? What has stolen our greatness? Our real independence and self-sufficiency are diminished, or gone altogether. We've abandoned the principles and moral underpinnings that support these things. Without independent, self-sufficient (wealth-producing) individuals, you can't have a great country, much less the greatest country.

We used to have a cultural moral conviction that the independent, self-reliant individual was the cornerstone of a strong, free society. That moral conviction is now in the shadows. Today in the U.S. individual dependency on the collective is viewed as normal, perfectly acceptable, and moral. Dependency is no longer burdened with a cultural stigma. This shift is at the root of why the U.S. has forsaken its status as the greatest country in history.

We used to aspire to intelligence and merit without apologizing. Now, we don't reward or honor intelligence or merit; instead we belittle and disparage these things, especially when they make someone rich. We don't honor wealth for the accomplishment it represents. We now stigmatize wealth because it's not fair that others don't have it; we no longer recognize and reward merit for fear that someone may be offended, or excluded, or hurt.

We used to have the courage to work hard to be our best. We weren't afraid of the responsibilities of freedom, or of achievement. We took risks. We sacrificed. We were OK with failure, but only because it was an essential part of success, not because failure was acceptable. Now success is only acceptable if everyone has equal amounts of it (which, of course, turns the very concept of success on its head).

We used to look up to great men who had achieved much. Now we say that they aren't any better than the rest of us – or that they are thieves. We don't revere achievement today, because we can't abide inequality of results. When you don't have any heroes you can aspire to emulate, you don't aspire to anything. Our nation isn't the greatest anymore because its people don't *aspire* to greatness – they think it should be handed to them. They're perfectly happy living in mediocrity; it's OK by them to live at the expense of others. Mediocrity is OK. When mediocrity is OK, you're greatness is gone.

Unlike the caste system of India; the class considerations of Europe; the racial homogeneity of China, Japan or Korea; the tribalism of Africa; or the religious orthodoxy of the Middle East, America is still a place where one can offer a new idea, invention or protocol that is judged on its merits, rather than on the background, accent, race, age, gender or religion of the person who offers it.

—Victor Davis Hansen

We used to be informed, and we used to have a media that did *inform* us, not indoctrinate us to a chosen politically correct perspective.

Just because the U.S. once was the greatest country on earth doesn't mean it still is. To assume that this country's history of greatness will always continue *regardless of how we act and think* is risky at best, and, at worst, delusional. Yet most people in this country believe that our greatness, because we had it once, is somehow inevitable. Greatness will continue to elude us until America, at the cultural level, restores its wealth-creation mindset.

A first step to restoring the wealth-creation mindset is recognizing that the U.S. remains the only true home of entrepreneurial mavericks, the only place where real innovation can occur in *anyone's* mind and the market is free to judge it, use it, and advance it.

Innovations developed and commercialized in the U.S. can continue to change the world as they have in the past, but only if we are creating wealth by adding value. Ideas with merit and value are rewarded in the U.S. for what they accomplish, for how they improve lives; and the free market doesn't care who came up with it, what their title is, or what their credentials are. The U.S. is the only country where there are truly no limits on what a person can achieve, the stations to which they can rise, or the wealth they can create. Innate talent, character and industriousness, and adding value are still what matters in the U.S. *Anyone* can enter the wealth-creation environment that is the U.S. and thrive – regardless of their origins. Employers need to recognize and seize this tremendous advantage by empowering their employees to create wealth.

"We are ridiculously fortunate to be living in this country, [where] the American Dream has become a global dream spreading hope to other nations.

Let us appreciate the wondrous freedom and abundance we enjoy. Let us use them well, to find meaning and happiness in our lives.

In living both the good life and the life that is good, we can demonstrate the virtue of prosperity, vindicate the American experiment, and augment the happiness of mankind."

—**Dinesh D'Souza**, *The Virtue of Prosperity*

Close:

Our leaders' focus on creating only jobs and paychecks is shortsighted. If we instead focus our energies and resources on creating wealth and wealth creators, then exponentially more jobs will follow as wealth is created (and used), without government's involvement or its inefficiencies. Jobs are a byproduct of wealth creation, whereas wealth creation is not a byproduct of creating jobs.

We are all placed here to make a difference, and we are all *capable* of adding value. If you add value, you are creating wealth. Collectively we make a difference. Too many of us don't add value because we haven't been taught what it means or how it works … we don't have the "wealth-creation mindset."

When we empower individual workers to add the highest value and grow, produce, and earn more wealth for their families, their use of that wealth strengthens them, and transforms a stagnant economy into a strong, dynamic economy. As individuals generate more wealth, they are able to solve problems for themselves and others by using those resources.

Only through such growth can prosperity be expanded, and only with increasing prosperity can the ills of a nation be addressed. The true objective of public policy is to advance human liberty and prosperity for as many people as possible. Our ultimate individual freedom and strength as a nation comes only through wealth creation, not through job or paycheck creation alone.

Our society has to come together on wealth and value creation. The power is within us.