



PROFITS ARE PROGRESSIVE

WALTER WILLIAMS

What's profit? And why is it so important to everyone, not just business owners and entrepreneurs?

Here's a simple quiz: When you spend \$100 on a new pair of shoes does the shop owner get to keep that \$100?

The answer, of course, is...no.

The shop owner has to pay all his business costs: employee salaries, inventory, rent, supplies, taxes and a dozen other expenses. His profit is what's left over. It's his payment for the time and money he's spent and the risk that he's taken to keep his business going.

Thank goodness for profits. Profits motivate people to work hard for themselves and make life better for others.

Take the example of Bill Gates. How did he become so wealthy? The answer is that he came up with something that millions of people so wanted and needed that they reached into their pockets to pay for it -- his Windows operating system, Word software and other Microsoft products. What's more he produced these products in a way that efficiently used resources. And what motivated him, and just about every other successful entrepreneur, to work so hard? The answer is ...profits.

Without the incentive of profits, why would anyone spend his savings, work countless hours, and take all the risks necessary to bring their product or service to the marketplace? There's a simple answer: they wouldn't.

You don't have make billions like Bill Gates.

Take a Montana cattle rancher who goes out in the dead of winter, even in blizzards, to feed his cows, to keep them safe, and care for them, making huge personal sacrifices so that New Yorkers can sit down to eat a nice steak.

Why does that rancher do that? Do you think he does it because he loves New Yorkers? Of course not! The rancher tends to his cattle because he wants more for himself and his family. He wants profits.

You can go to a supermarket any day of the week and if you want steak, they have it. If you want potatoes, they have them. Sugar, salt, potato chips, strawberries, peanut butter -- they

have it. In fact, the average well-stocked supermarket in the United States has over fifty-thousand different items on its shelves. How does all that get there? It seems like magic, but it's not.

Every one of those items is on the shelves thanks to one thing – profit.

The same holds true for the device you're watching this video course on – whether it's a TV, a desktop or laptop computer, a smart phone, or a tablet.

And for every component in those devices! They all exist – as millions of other products we treasure and depend upon exist – because of the profit motive. No profit and it all goes away.

Here's another reason the profit motive is so important. Ask yourself this question: Which establishments do you tend to be most dissatisfied with? The answer is likely to be government agencies. Why? Because they don't operate for profit. So no one is rewarded for good work and almost no one is ever punished for inferior work.

And which establishments are you most satisfied with? The answer is likely to be the ones that operate on a for-profit basis. If I'm unhappy with, say, a department store like Macy's or Bloomingdale's because it's not providing me with the goods or services that I want, I can, in essence, fire that store by taking my business elsewhere.

But consider a government agency like the Department of Motor Vehicles or public schools. If I am frustrated with their performance, I can't fire them because I don't have many alternatives.

Business owners must please their customers or risk failure and bankruptcy. Government agencies risk nothing and therefore have to please no one.

Am I saying that we don't need government, that everything should be on a for-profit basis? Of course not. But what I am saying is that we should want as little government as possible.

That's exactly what the Founding Fathers of our nation believed. They understood that the profit motive pushes people to do extraordinary things.

Take that motivation away and the world becomes a very different and darker place.

I'm Walter Williams of George Mason University for Prager University.