

“Seminal Insights”

Identifying And Promoting The Five Essential Factors For Spontaneous Individual Value Creation

Lawrence A. Boros
B.W.E. The Ohio State University
M.B.A. University Of Pittsburgh

After studying both macro and microeconomics at undergraduate and graduate levels, it became very apparent that where the economic magic really occurs is at the micro-micro transaction level with the actions of millions of individuals creating value in a reciprocal environment. The published State of Ohio curriculum for economics and financial literacy in our schools misses this essential concept. It is imperative that students understand early on that their future happiness in life will be primarily determined by the value they create for themselves and for others. There is an absolute need to identify and infuse the economics curriculum with the five factors that drive and support spontaneous individual value creation.

Poverty is continually perpetuated by confusing it with the condition of deprivation that it causes. Deprivation is a condition caused by the absence of sustaining essentials. Deprivation’s worst symptoms are homelessness, starvation, poor health, crime, and political unrest. Unfortunately, politically motivated efforts to reduce human deprivation usually perpetuate it because these efforts do not eliminate the cause and effectively constrain individuals into politically designed dependency. Lyndon Johnsons’ “Great Society” and FHA 235 are perfect examples of this.

The most important thing to realize is that poverty is not a condition.

Poverty is an inability!

Poverty is an inability to create sufficient legitimate value to be self-sufficient in life.

Legitimate value does no harm to others. Poverty can only be reduced by enabling individuals to spontaneously create legitimate value according to their own enlightened self-interest.

Enlightened self-interest is the primary motivator for value creation!

There are five necessary factors that drive and support individual value creation:

1. A Strong Sense Of Positive Persistence.

2. Knowledge Of Ways To Create Legitimate Value.

3. Enterprises That Provide The Tools With Which To Create Value.

4. Health.

5. Security Of Rewards And Security Of Person.

1. A Strong Sense Of Positive Persistence.

The most powerful factor enabling value creation is a strong sense of positive persistence. You can refer to Calvin Coolidge's famous quotation:

“Nothing in the world can take the place of Persistence. Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan 'Press On' has solved and always will solve the problems of the human race.”

Cultural capital internalized from examples set by parents, family, associates, and neighborhood is essential to persistence. Our young should be conditioned to persistently strive to accomplish goals because their emotional reward will be the internalized feeling of adequacy and self worth. They will earn the ability to shrug off disrespect as they develop earned self-respect. They will learn that life is full of snags and that all great things have been accomplished in spite of difficulties. They will learn that unearned cheap accolades will always prevent genuine self-respect.

A major problem in black communities is the 74% illegitimacy rate that causes three out of four children to experience formative growth without the love and guidance of fathers. This results in lower cultural capital and a significant disadvantage in developing self-respect and empathy for others. Without self-respect it is impossible to tolerate disrespect. Disrespect during arguments is the major cause of the 10 times black homicide rate. We need to have affirmative action for fatherhood started and supported by black fathers.

Our young should learn about Maslow's need hierarchy and the power of delayed gratification and intermittent rewards. The Entrepreneurial Leadership Institute, E-City, Y.O.U., and Junior Achievement organizations help our youth to venture into value creating activities while most still have the security of family support. These organizations and others should be used as resources to the greatest extent in building character and demonstrating the essential importance of positive persistence in value creation. Our young should also be taught negotiating skills so that they can fairly benefit from the value they create.

2. Knowledge Of Ways To Create Legitimate Value.

Knowledge is the sum of education, training, associations, and experience.

Education is the starting point and yet we allow under education from over-consolidated school districts where graduation rates are less than 50% and where the primary beneficiaries are the administrators and the unions.

Over the last sixty years, public school educational attainment levels have declined as school districts consolidated and teachers' advocacy organizations morphed into teachers' unions. Today's controversial "common core" simply acknowledges this decline.

There is no economy of scale in 50% graduation rates. We should deconsolidate all large urban school systems into smaller neighborhood systems with no more than 10,000 students each. Smaller school systems have fewer levels of bureaucracy and are more responsive and approachable for parents.

We should offer State wide public vouchers so that the districts can compete head to head for enrollment and drive the continuous improvement of educational attainment. By providing choice in school districts, we would not be insanely prosecuting parents for trying to sneak their children into better school districts. This would also reduce the need for competition from charter schools. The State would have to subsidize differences in per-student funding between districts. Most failing school districts are already heavily state subsidized and spend more per student than more successful districts. Subsidizing vouchers would be less expensive than the long-term costs of welfare and incarceration. Rules for transfers between districts would include maximum annual enrollment changes, criteria for moving schools into adjacent districts, transportation costs, allowed residences, and student return policies.

In our school counseling, we should focus adequate importance on essential higher value creating careers in skilled trades that match market demands such as designers, machinists, tool and die makers, electricians, welders, carpenters, and other skills where many are presently in short supply. Every high school should again have its own industrial arts department to give all of our students some ability to actually make things with their own hands. They will carry a positive "I did it then and I can do it again!" feeling throughout their lives when approached with challenges. And we need to stop telling the lie that a four year degree is essential for self-sufficiency and a successful rewarding life.

<https://www.facebook.com/TheRealMikeRowe/videos/344500163059565/>

The most politically difficult policy would be to provide special and entirely separate resources for the students who disrupt, threaten, and violate the rights of those who want to learn. We need to consider establishing court appointed academies with full transparency and accountability for children at risk who live on the street in a feral environment. These academies would house, feed, educate, and mentor youth who are disadvantaged and at risk because of a lack of parental support and discipline. And we will have to come to the realization that some individuals are emotionally wired to do bad things.

Experience is the most brutal teacher. In many cases this is because we do not know what we do not know and are blindsided. We are oblivious regarding too many things that can and will affect us. Therefore, education should be more broadly designed to expose individuals with a passing exposure to less common areas of history, technology, economics, sociology, law, and geo politics to minimize areas of knowledge that would otherwise remain oblivious. If an individual is at least aware that an area of knowledge exists, they can explore and learn on their own.

3. Enterprises That Provide The Tools With Which To Create Value.

Individuals can use tools provided by someone else's enterprise to create value or they create their own enterprise to provide the tools. The primary cause of the shortage of value creating enterprises today is the trade deficit that has relocated enterprises out of our economy and reduced the demand for as many as 70 million jobs. Whether as an individual, as an enterprise, or as a national economy, when more value is consumed than is created, capital has to be surrendered. The trade deficit causes the bleeding of more than half a trillion dollars in capital out of our banks and economy every year.

The annual U.S. trade deficit in goods between 2005 and 2008 was more than 700 billion dollars. If 700 billion dollars were spent on additional products manufactured in our economy, it would have required about \$500 billion in production costs that would have included at least \$125 billion in wages. \$125 billion in wages would directly employ 2.9 million wage earners at the 2011 average of \$43,460 each. Based upon the 2011

propensity to save of 3.6%, the economic multiplier was twenty-seven. This was due to the extremely low savings and investment rates of our consumer economy that causes a huge multiplier effect on new funds

introduced into the economy. These additional 2.9 million wage earners would spend more than 96% of their wages on goods and services that would pass through the economy about twenty-seven times and ultimately drive the demand for about 77 million jobs. We may have as many as 40 million underemployed and about 30 million unemployed. Obviously, any legitimate jobs policy has to start with balancing our trade accounts.

With the absence of domestic enterprises to provide the tools for value creation, our young entering the workforce are at a terrible disadvantage as they suffer unemployment and underemployment because of the trade imbalances caused by the undisciplined global economy. College attendees and graduates are at a tremendous disadvantage as they pile on college loan debt to pay for inflated room, board, and tuition while the job market shrinks drastically because of the trade deficit.

The absence of taxable wages for 70 million wage earners causes national “reverse tariffs” of more than \$530 billion in reduced individual Federal income taxes, \$350 billion in reduced Social Security taxes, and \$50 billion in reduced Medicare taxes for a total impact of \$930 billion in reduced Federal revenue. Including \$219 billion in reduced corporate income taxes, this all adds up to a \$1.1 trillion in a reversed tariff of reduced Federal revenue from a trade deficit of \$700 billion. Added to this is the \$226 billion reduction in State personal income taxes with additional losses of State corporate income taxes. This is why the States are hurting. It seems that every dollar of trade deficit reduces combined Federal and State revenue by about two dollars.

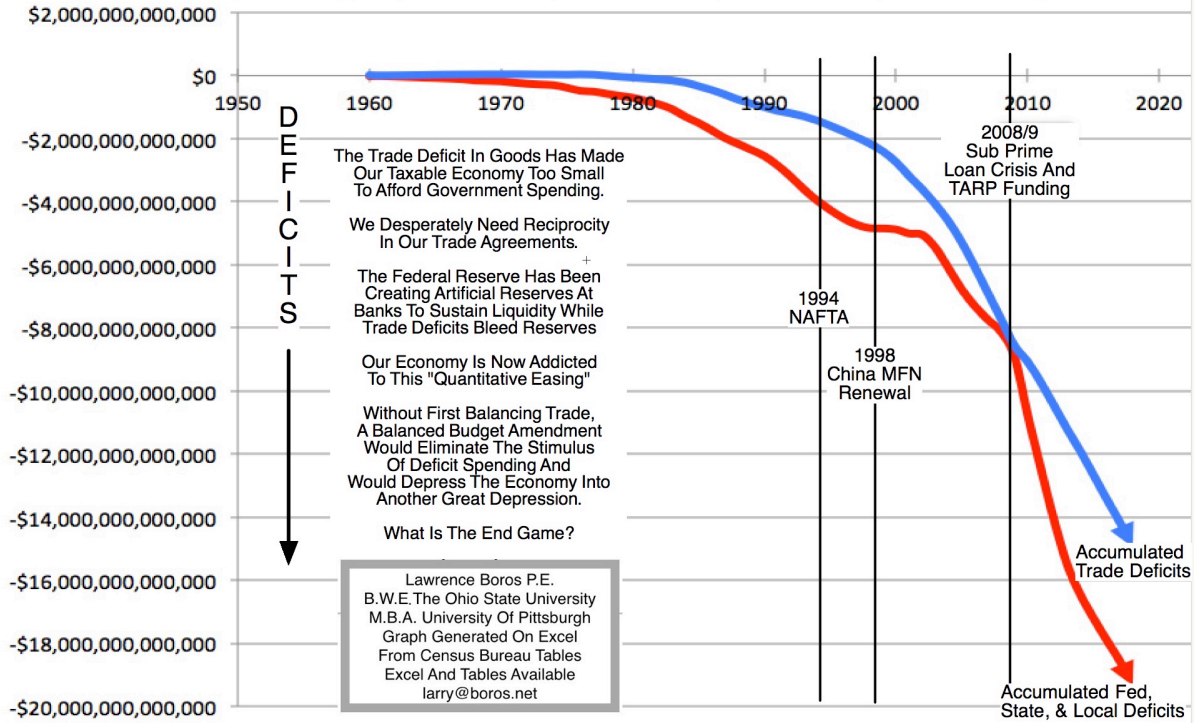
It has been reported that we have more than 90 million working age adults no longer engaged in the economy and this has made our wage earning tax base too small to support the present level of Federal spending. As a result, we have a hollowed out economy that has created a lot of personal tragedy for many families. We blindly subscribe to the efficiency and lower costs of "Free Trade" without understanding the real costs of trade deficits and the imbalance of international markets that are skewed against our domestic market. We have been in an actual trade war for twenty years and have been loosing badly.

Since renewal of Most Favored Nation status for China in 1998, the accumulated trade deficit and the accumulated Federal deficit have tracked parallel to each other as capital bleeds out of our nation and our taxable economy has become too small to support Federal spending.

OUR DANGEROUS FAILING ECONOMY

After Renewal Of China's Most Favored Nation Trade Agreement In 1998
 The Trade Deficit In Goods Has Primarily Driven Federal, State, And Local Government Deficits

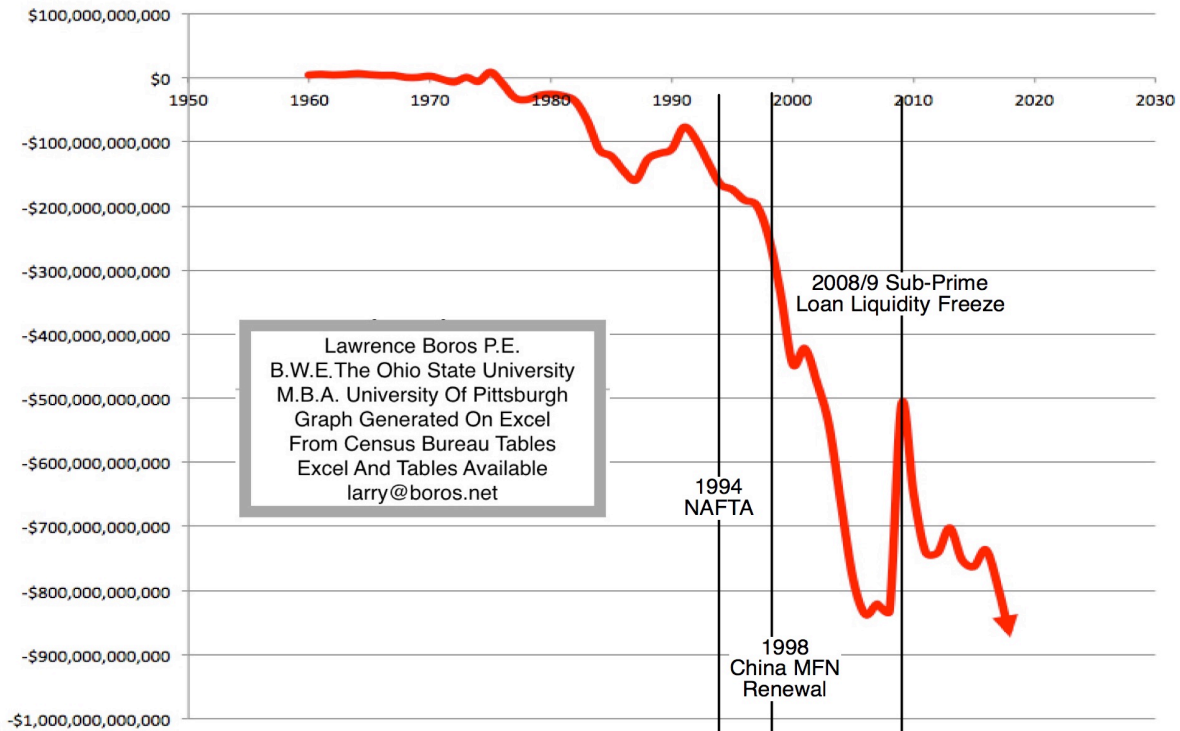
Source of data: U.S. Census Bureau Tables 1960 To 2018



Trade Deficits Are Getting Worse!

Source of data: U.S. Census Bureau Tables 1960 To 2018

Annual Trade Deficits In Goods



It seems that we are just beginning to wake up to the danger of the undisciplined globalist “new world economic order” as value consumption exceeds value creation in many national economies such as the U.S. and Greece.

We must never confuse dangerous undisciplined globalism with capitalism.

The hard lesson here is that free trade is only free when it is balanced. Again, whether as an individual, as an enterprise, or as a national economy, when more value is consumed than is created, capital has to be surrendered. If capital is not available, then credit must be used. If credit is not available, deprivation will result. Today, our national economy is addicted to “Quantitative Easing” where the Federal Reserve, in effect, allows banks to legally lend out of more reserves than they actually have. This all started with TARP funding to unfreeze liquidity during the subprime loan crisis in 2009.

4. Health.

The individual must be healthy to be unencumbered to create value. The Affordable Health Care Act, although 52 times the length of our Constitution, deals directly with only the 15% of health care costs associated with insurance overhead. AHCA was given many tentacles that interfere with and overload procedural and class defined documentation requirements. This bill was fixated on the issue of coverage and neglected to deal with the 85% of health care costs drivers associated with the providers. We can make healthcare more affordable only by changing the present business model where our bodies are held hostage and there is no possibility of making choices based upon up-front knowledge of a la carte prices and medical competency.

1. We need legislation that requires all healthcare providers to list their offered services and fees for services on a single industry website and then track their history of outcomes versus prognosis. We need nurse-practitioners and doctors acting as ombudsmen to assist individuals in making healthcare decisions based upon diagnosis and the website published competitive costs and outcomes. Cost containment due to head to head competition through upfront transparency is the only way we will avoid rationing caused by a shortage of healthcare providers that are disincentivized by a socialistic single payer system as exists in Canada.

2. We should legally mandate that all health insurance companies be allowed to provide health insurance nationwide. This would help to eliminate State wide health insurance monopolies.
3. We also need to reform the laws governing jury award decisions that drive up medical insurance rates that then drive practitioners out of private practice and into large institutions.
4. Dementia is the single largest cost driver for Medicaid and is the single largest driver of increases in health care costs. Yet we never hear any legislator, governor, or president call for increased or better managed research to reduce the prevalence of geriatric dementia. We could spend 500 billion dollars on dementia research and if successful it would be the bargain of the century.
5. Individuals can also be encumbered by the responsibility of care giving to children, parents, and significant others. These individuals should be provided with sustaining resources during the time that they are caregivers. We need to provide loving care and support for those physically or mentally unable or too young or too old to create value. But their numbers will require a fraction of the financial load that our value creating taxpayers now support to reduce deprivation.
6. And it is way past time to decriminalize the addiction to dangerous hard drugs and provide mandated withdrawal treatment. Then concentrate on their elimination by legalizing and taxing marijuana and eliminating two thirds of the financial drivers for corruption, violence, and turf wars that have caused the business killings of thousands of people on both sides of our southern border. Unlike ending the prohibition of alcohol, we do not need a Constitutional amendment to accomplish this. About 500,000 people in the U.S. die every year from nicotine addiction. Yet due to the potential for a black market, as occurred during alcohol prohibition, we do not see any support for tobacco prohibition. Yet this same logic eludes those who want to prohibit marijuana. So the real question..... is the potential for some voluntary brain damage a lesser evil than the black market violence and massive incarceration rates caused by prohibition?

5. Security Of Rewards And Security Of Person.

The lack of security of rewards dooms socialism every time because it negates the most important driver of economic value creation and that is enlightened self-interest. Socialism has always been the black hole of economics.

Democratic Socialism is where the self-reliant and industrious are outnumbered by the lazy and envious who "progressively" kill all incentives for value creation through value redistribution, taxes, and laws so that instead of sharing wealth the masses share scarcity at the point of a gun from a despotic socialist regime that will never let go as in Cuba and Venezuela.

Socialism always looks upon poverty as a condition rather than as an inability and the lucky value creators must share with those who are unlucky and cannot or will not create value. When it comes to creating legitimate value for themselves and for others, all socialists are lazy! There is nothing altruistic about socialism because it is evil in how it steals from value creators.

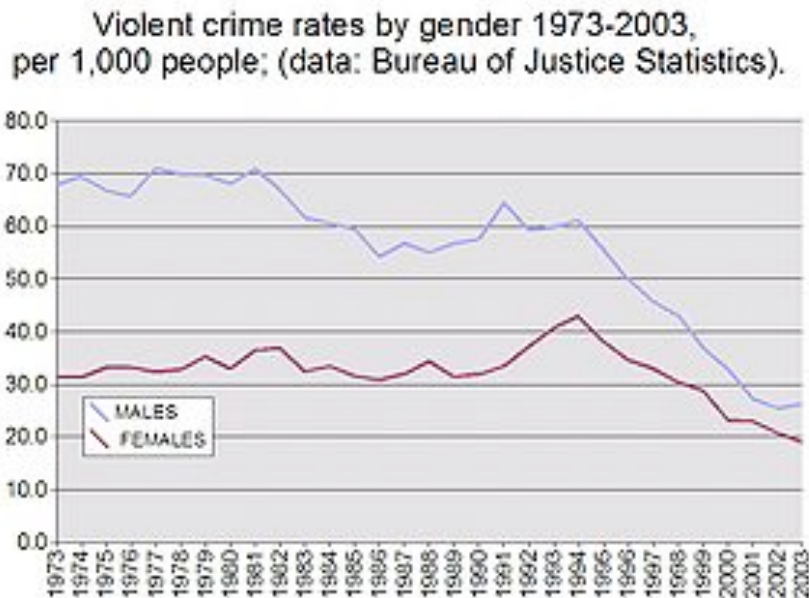
It is a fact that the top 10% of wage earners in this country already pay more than 70% of all income taxes and that is simply not fair and it is not productive. We could increase the top tax rate from 35% up to 50% and it would only cover about 21% of the Federal deficit and it will definitely kill the goose. We had the highest corporate income tax rate in the world and because of it we had the lowest corporate tax revenue as a percentage of GDP in the world. Corporate income tax was only 9% of Federal revenue. This resulted from the offshoring of jobs and headquarters to countries with lower tax rates. The recently revised Federal tax rates were a good step in reversing the exodus of enterprises. We really need a simple and absolutely fair flat income tax for both individuals and corporations with no exceptions and no special economic incentives that tinker with markets. This would also eliminate about two-thirds of a massive, value consuming, and often abusive IRS bureaucracy.

And finally, the lack of security for ones self and the fear it creates and the precautions it mandates can override all other priorities and limit or prevent value creation. The United States has a population of about 320 million and less than 680,000 non-federal peace officers. With these officers on four crews covering three shifts seven days per week, with vacations and time off, there is about one first response officer on duty for every 2000 citizens. We have a very thin line of security that cannot be in all places and cannot protect everyone. The Supreme Court has already ruled that the primary

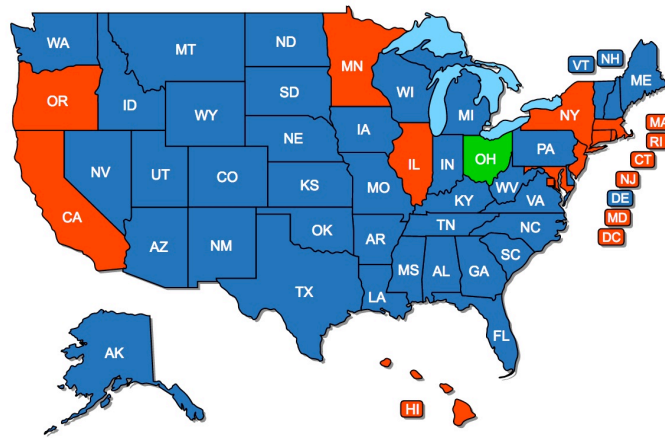
duties of peace officers are to maintain order and enforce laws. They are under no legal obligation to protect individual life. Therefore the individual has been put in the position of having to assume responsibility for most of his or her own security against the psychopaths and miscreants of society that government seems powerless to identify and remove before the fact.

Consequently we now have more than twenty million citizens with a sense of duty to help deter violent crime by qualifying to legally carry a concealed handgun. The number of concealed carry license holders outnumbers on-duty police by about 100 to one. About one in every 10 adults is now able to protect themselves and those around them. All “un-policed gun free zones” filter out and incapacitate those with good intentions and have never stopped those with bad intentions. Un-policed “gun free zones” are illogical, irrational, stupid, and dangerous. This undeniable fact has been proven much too often and yet it seems there are those who want this to continue because it supports their agenda.

The decrease in violent crime since 1994 has occurred at the same time that the number of States enacting shall issue concealed carry laws has increased from eight to forty-four.



The writer has personal experience in deterring a violent assault in downtown Cleveland. If he can legally protect himself and those around him against violent crime in 39 States, why not 50 States? There is a genuine need for a nationwide concealed carry reciprocity law similar to Ohio's.



In Conclusion

We desperately need a clearly focused holistic approach to poverty reduction that starts with its true redefinition in the public lexicon. Naturally there will be differing opinions regarding the content, approach, and priorities associated with each of the five necessary factors and books could be written about each. But all of this will stimulate constructive dialogue as we focus on a concerted effort to increase spontaneous individual value creation and improve the quality of life for millions now relegated to embarrassing dependence. All of us have the obligation through levels of government, institutions, charitable organizations, and enterprises to help increase individual value creation through the improvement and strengthening of the five essential factors that are all required for any and all individuals to spontaneously create value.