

Libertarian's Corner:

The New York Post—Freedom, Efficiency, Charity and Entrepreneurship

Joseph S. Fulda

Joseph Fulda is a free-lance writer living in New York.

*To start a business is no joke.
'Tis very easy to go broke!
But whether bust or boom, the twain
Shall always be the patrons' gain.
—Mac Gregory*

In a beautiful, little article, “Entrepreneurs and Their Gifts,” Jane Shaw, a researcher interested in the economics associated with environmental issues, made the case that entrepreneurs, even when they don’t succeed, give to the economy in which they invest. A few months later in “The Economics of Errant Entrepreneurs,” Israel Kirzner, a leading Austrian economist, replied to her article with a firm, but gentle, dissent. We review here why a libertarian of the Austrian School, who admires Kirzner’s work, nevertheless sides with Jane Shaw.

Shaw told the story of Bozeman, Montana, a small town with the variety of a small city: exotic seafood restaurants, a doll furniture store, a flower shop that sells African violets only, kitchen boutiques, upscale wine shops, and a surprisingly good bookstore. According to her research, one in seven of all businesses in the county changed hands—or just began—within the year. The people of Bozeman, she wrote, “get more goods and services . . . than [they] deserve,” for “as a result of all these eager entrepreneurs” consumers

. . . Don’t pay the full cost of the goods and services [they] buy.
Instead, the providers pay in the form of lost profits and lost fortunes.
[T]he consumers are the beneficiaries.

Bozeman’s experience suggests, she concluded

. . . That an endless succession of businesses can operate without profits—as long as there are romantic optimists to take up where the disillusioned leave off.

To this Israel Kirzner replied

. . . There is only *one* benefit to society arising out of unprofitable entrepreneurship that deserves to be treated as a fundamental advantage. All other benefits, while we may indeed be grateful for them, are likely

to be enjoyed at the expense of more serious disadvantages both to others and to ourselves.

That one benefit, “the central social gain from losing entrepreneurial ventures,” is enjoyed

. . . not by individuals unusual enough to enjoy the output of those overoptimistic ventures, but by all members of society insofar as they stand to gain from *superior* entrepreneurial judgment—a quality standard enforced by the severe discipline imposed on errant entrepreneurs . . .

And, he added, Shaw's account failed to consider that an

. . . unprofitable venture . . . has *harmed* society as it is likely to mean that it has used valuable, scarce social resources to produce goods worth *less* than other goods that *could* have been alternatively produced.

It is Kirzner's use of “social” not his flawless economic analysis, that disturbs.

As the late Russell Kirk, a supporter of capitalism but much more a believer in faith and freedom rooted in faith, wrote

I have regarded with some suspicion many practitioners of the Dismal Science. . . . In general, I have found economists a blinkered breed, worshipping the false god Efficiency.

Among the several ideas Kirk had in mind is surely that the moral and spiritual claims of freedom and, by implication, the free economy are more compelling than its empirical claim to being the most efficient way of providing for our needs. To this proposition, I wholeheartedly assent.

Entrepreneurs act, as George Gilder reminds us, on faith. Their faith is only partly in their ability to turn their investment into profits. It is also their faith in themselves and in their ability to make their respective dreams come true. And, if their faith in themselves should not be vindicated, we should offer praise for their having been so brave as to try despite the odds. And, those odds—two out of three small businesses fail within five years—are what make entrepreneurship an act of faith. Moreover, whatever resources are misallocated by the experiments of the entrepreneur are *his* to allocate, *his* to lose. It is uniquely American to allow everyman, no matter how high the odds of failure, to pursue the American dream in his own way. And, by implication, it is his right to decide when he has failed. If he is able to sustain losses for even five consecutive years and still maintains faith in his dream, let us remember that few, indeed, are the enterprises that don't at first sustain losses. The experiment is over and the final judgment on the allocation or misallocation of resources is in only when the entrepreneur closes the doors to his business, through bankruptcy, abandonment, or, more frequently, as Jane Shaw wrote, through change of ownership. “Where there's life there's hope” applies to businesses as to persons and an enterprise that one man would close after years of

successive losses, another man with greater faith in himself and his ability to learn might keep open long enough to see his losses subside, ultimately turning to ever-greater profits.

Let us take *The New York Post*, the only conservative daily in New York City. For years, the *Post* has been unprofitable and it has changed hands many times. No doubt the expertly argued commentary and the adroitly written editorials by Eric Breindel and the other members of the editorial board are, in Kirzner's words, "catering to the tastes of a too-narrow group of consumers," but as one of their number I wouldn't have it any other way. Nor do I think that the successive owners of the *Post* are necessarily among the "entrepreneurial fools and romantic optimists" of Kirzner's vision. Indeed, their vast holdings of successful enterprises show that the former they are clearly not and, as for the latter, well, I don't know. True, each time the *Post* goes on the table, the new owner or prospective owner insists he will turn it around, but few in the relatively small New York conservative camp believe them. They *are* acting, in part, out of altruism—or egoism, if you will; they want to own something they value and that they think is of social value, even if it means that they suffer losses year after year. But whether they are romantic optimists, altruists, or egoists is of no real interest to me: What interests me is the *Post* itself and ensuring that entrepreneurs have every bit as much freedom to pile up losses as to pile up profits.

Indeed, the argument for freedom *in se* over efficiency is morally imperative, if, as a Judeo-Christian society, we are to look with benevolence on all forms of voluntary charity. Might it not be better for the failing entrepreneur to be given an influx of new capital by a benevolent friend than to be simply told to close his business and take a charitable contribution in cash or in kind? Certainly, it may be better for both the giver and the recipient as *they* see it, and arguments that it is worse for society at large to have a lot of capital misallocated rather than a smaller sum go directly to charity presume that moral philosophy must follow economic science, when, in fact, it is the other way around.

Let us be free to be both romantic optimists and charitable men. We need not worry that the free economy will not ensure efficiency because of such men, because as Kirzner so rightly pointed out, one must *have* capital in order to invest it and the market will simply not allow unlimited optimism or charity. But where exactly those limits are is decided in freedom. Let us not worship the false god of Efficiency. Ω