

Excellence and Broad Base Power: An American Application

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Why has Russia produced so many chess masters? Why does France produce so many rock stars of pastry and dessert? Why is Jamaica the home of so many of today's great sprinters? Why has Germany continued to be successful as a high wage, exporting economy? What's with all those Major Leagues, Dominican baseball players? And why is the Venezuelan *Orquesta Sinfonica Simon Bolivar* considered perhaps the best, most exuberant youth symphony orchestra?

Of course, high quality performance in this or that field is often a matter of serendipity or other factors beyond the control of a society. The most admired cuisines usually arise in nations with diverse crops and longer growing seasons and nations with frigid winters will have more success in speed skating or skiing than places like Brazil. Yet, there are ways for individuals, societies, and nations to punch above their weight and to improve their performance in a variety of endeavors, from the arts, to the sciences, and with regard to economic performance – think Switzerland, Luxembourg, Singapore, or Israel.

In the case of the United States an array of public actions, particularly since the Civil War, had much to do with catalyzing the great American economic takeoff. Many people might be surprised to know that by 1900, the United States was the premier economic performer on the planet. It had advanced significantly ahead in per capita income, mass literacy, agricultural output, industrial organization, general economic productivity, and had produced a uniquely vibrant, national popular culture and mass consumer society. Recognizing that the United

States had very serious problems on many fronts, by early 20th century standards the nation had come closer than any other place to extending the good life to a higher proportion of its residents.

The United States, while suffering notable casualties as a result of World Wars I and II, escaped widespread physical devastation and was fortunate to avoid anything like the human losses experienced elsewhere. Certainly by the end of World War II, the United States stood as the singular economic and military titan of the world.

It is hard to exaggerate how staggering the gap between the United States and the rest of the world was in August of 1945, and detailing the facts would take us far afield. This situation, blessed as it was, had two unfortunate results, however. First, due to the war-induced weaknesses and damage in much of the world, the U.S. was in an *unnatural* position of economic and even military hegemony, which would eventually give way to frustration and disappointment as our natural competitors gradually narrowed the gap. As the U.S. became less dominant, when Japan, Germany, China and others begin to excel economically, many Americans have come to view the lessening of American economic supremacy as a mark of decline, a descent to the status of a “less great” nation.

Second, in our post-WW II triumphalism, the U.S. ignored and obscured the architecture of American success that was in place from the latter half of the 19th century through the end of the 1960s. America’s leadership and then its public lost sight of the need to deliberately mobilize for peaceful competition. We forgot that our economic miracle occurred long before WWII and was rooted in much of what we did right by way of public policy, even if only by accident, from the Civil War onward. Instead we have moved, slowly first and then, particularly

since 1980, at an accelerated pace, to dismantle many sources of our civic and public strength. Instead we have become broadly cynical, if not hostile, about virtually all of our institutions, both public and private. It is an inauspicious climate in which to nurture any kind of serious collective action.

In short, we have displaced the exuberant pragmatism that accompanied the period of the Great American takeoff with a free market dogma, dictating that a “hands-off,” minimalist state is the key to social progress. The horrific exemplars of big state actors like Hitler’s Germany and Stalin’s Soviet Union have made it easier to advocate for the “dangers of government intervention and government overreach.” The collapse of communism reinforced a kind of smug celebration of free market theology. And today our venomous debates about how to address some of our nation’s serious problems simply lead to gridlock and civic exhaustion.

Let me introduce the concept of Broad Base Power, which I use to explain the process of fostering excellence and how that understanding can help to guide future public policy. It is a framework that takes a positive approach and that hopefully produces a more constructive exchange of ideas.

I’m going to use this idea of Broad Base Power in a specific policy context, to highlight examples of policies that encourage entrepreneurship, by which I mean encouraging people and organizations to improve our nation’s economic performance, especially as it concerns the gains that come from the introduction of new businesses and producing innovative and advanced goods and services.

According to the Kauffman Foundation, which is focused on entrepreneurial activity in the United States, although there is a revival of new business formations and hiring in the recovery from the Great Recession, these have not matched pre-Great Recession levels.

More disturbing are long term trends in such indicators as research and development activity, patent-filings, and the U.S. share of scholarly output. Also ominous is that the fastest-growing segments of the U.S. population are not participating in entrepreneurial activity at sufficiently high levels. And women, who have entered the workforce at dramatic levels, including at the professional level, tend to lag substantially in entrepreneurial activity. As the Kauffman Foundation states:

. . . if minorities started and owned businesses at the same rate as non-minorities do the United States would have more than 1 million additional employer businesses and approximately an extra 9.5 million jobs in the economy.”

The Kauffman Foundation goes on to claim that the gender gap in entrepreneurial activity costs the nation about 1.7 million new business start-ups.

A market economy, however, depends on a significant, if not growing, coterie of people who are willing to take risks. So what about those policy measures that would foster more entrepreneurship? Conversely, what are some of the factors that constrain it?

The idea of Broad Base Power, which is at the core of this paper, rests on the commonsense, pragmatic notion that increasing the overall quality of performance in any field, including entrepreneurship, requires an increase in the number of people participating in an undertaking. As more people participate in a thing, the greater the chance that there are people within the base of participants with the mix of drive, skill and good fortune to “break-

out” to new levels. The bigger the Base, the greater the chances are of “the geniuses” or “stars” emerging.

It is not simply that large numbers of people participating are likely to increase the chance of finding the truly obsessed, talented, and singular performers. The other key element in the process is the large “audience” that the broad base of participants produces. The audience is a source of encouragement for performers, and a broad base of participation in any enterprise creates a significant and invested audience, which subsequently interacts with those who are at the next level, encouraging and supporting them to strive for ever-greater levels of achievement.

The Base is vital, then, because it produces two critical elements of excellence. First, there is the cadre of “performers” who move to the next level and come to be judged as “stars”. Second, the Base also produces the audience that generates the civic power and ideological, aesthetic, and emotional matrix to catalyze performers. The practiced, informed audience – those who have experience, appreciation, and critical sensibilities about some activity, but who are largely not among the “next level” of success – provide the high expectations, support, scrutiny, appreciation, and even constructive criticism that motivate star performers and propel them to higher levels of excellence.

The audience is critical, then, because achievement results not only from the individual, personal qualities of people entering a field, but also from the complex interaction between the “stars” and those who are less successful, those whom we call the audience. Greater rates of participation in an activity, in short, lead to higher chances that talented and high-achieving

individuals will emerge in a field and who are galvanized by an appreciative and knowing audience. It is a salubrious dynamic that brings norms of equality and excellence into harmony rather than conflict.

Those with piano training are more likely to understand the attributes of a great piano performance and are more willing to support and appreciate the performances of great musicians, even if they are not motivated or talented enough to become renowned performers themselves. Those of us who have considered science careers after being exposed to interesting courses and teachers in biology, chemistry, or physics are more likely to support and express appreciation for those who go on to achieve in these fields. In the world of fine cuisine, we see that renowned chefs have a broad range of support from less-successful or still-aspiring chefs as well as the broad community of “foodies,” who benefit from and value the food they prepare, all of whom take an interest in the work and ideas of “star chefs.”

The Base of any endeavor – ballet, stem cell research, baseball, solar technology development, or basketball – are those who have had some experience and familiarity with the effort, skill, and talent involved. And it is the audience that springs from the Base that is most likely to be attuned to and even vicariously attached to the success of those members of the Base who break out to the “next level.”

Applying this concept to entrepreneurship, one can argue that it is beneficial to have large numbers of people who appreciate the entrepreneurial endeavor and engage in it, even if they do not ultimately succeed. By increasing the range of people with entrepreneurial experience, we increase the effectiveness and empathy of employees and others who

subsequently interact with entrepreneurs. Venture capitalists and employees who have experience starting new businesses and seeking investors themselves may be especially helpful to the entrepreneurs with whom they work, as they have a deeper understanding of incentives that ensure stronger performance and long-term commitment to excellence. People who have had even some limited practice in starting or owning a business are likely to have improved understanding of the role of regulation, finance, immigration, labor markets, supply chains, education, or consumer behavior.

There are many policy choices to enhance the growth of Broad-Base Entrepreneurship, including smart, public-spirited regulatory reform, proliferation of prizes for concepts and new businesses, business development curricula at the college undergraduate levels, subsidized competition for new businesses, and improved fluidity and communication among ideas, invention, innovation, and the introduction of goods and services into the market. But I will touch on five general categories of policies, in no order of importance, that are most interesting to me.

First, promote Broad Base entrepreneurship across fields and generally resist trying to “pick winners.” States and smaller entities or smaller, homogeneous nations might profitably focus on smaller ranges of activities, such as high tech, tourism, watchmaking, health-industry equipment, precision tools, or entertainment. At our national level, however, the focus should be on fostering a broadly aspirational culture that is optimistic, skilled, and infuses its residents with a range of skills across a broad range of human endeavor, the arts and sciences, with a bunch in between.

Second, enforce the rules of economic and business competition to reduce inefficient barriers to entry and, extremely important, to retain legitimacy and trust for the work of entrepreneurs. In societies where so much relies on the dynamic of private markets, “losers” must accept their status, as well as assent to the shift of great, often profoundly disproportionate rewards to those who “win.”

The appreciation of those who have participated in an activity for those who achieve at the highest levels, rests on the conviction that success is based on merit. Without that belief, the legitimacy of outcomes declines and the audience’s appreciation for the effort and talent that must be mobilized to reach the top is likely to evaporate. Instead of support and admiration in the audience, there will be cynicism, resentment, suspicion, contestation of outcomes, and hostility toward those who are judged to be dishonestly grabbing larger proportions of rewards and benefiting from a rigged, corrupt process. Most important, performance quality will decline and slip ever lower as “who you know” becomes more important than “what you know”.

And when envy and suspicion replace admiration, the prospect of social conflict increases, and the entire competitive process is threatened. The sociopolitical arena becomes rife with “fake news” and “alternative facts.” Demagoguery and civic rot ensue. Admiration and support for the quality of “doers” and “makers” is undermined, even for those who have come by their good fortune honestly.

It takes very little to corrode legitimacy in any endeavor, from the outcome of a sporting event or admission to a particular academic program to decisions about hiring and promotion

or the selection of vendors by a public agency. Just one serial killer undermines the social tranquility of a city, and it does not take more than a handful of corrupt entrepreneurs who seemingly go “unpunished” to undermine confidence in an entire system of competitive, market distribution.

That is why those who have the most to gain from winning and succeeding in any endeavor should be the most severely disciplined if they break the rules. Substantial investment must be made in systems of vigilance and oversight in order to detect and obviate efforts to tilt and bias a competitive processes of any kind. A productive and accepted system of market outcomes requires an effective public policing system, with strong disincentives for shirking and cheating. There is no such thing as a smoothly functioning competition without skilled, knowledgeable, and forceful umpires. Weakening and sidelining government policies to regulate and police market conduct ensures that markets will drift towards all the bad consequences of a corrupt market. Improving government oversight is not the same as crippling it.

The emergence of a Broad Base in entrepreneurship must also be accompanied by commitments to equal opportunity. Equality of opportunity is a co-equal contributor to the legitimacy of market outcomes. Current winners in the marketplace often have powerful incentives to rig access and raise barriers to entry in a field. This applies to everyone, from cosmetologists, to doctors, to lawyers, to whole industries, to professors, and to organized sports leagues. Maintaining equal opportunity for entry, while ensuring sensible regulatory standards, is essential to promoting the Broad Base in any endeavor.

Third, public education is historically the most effective way to create a Broad Base to maximize economic performance. There is so much research and literature to support this claim that it borders on being a verity as stable as claiming that the sun rises in the East and settles in the West. Yet, despite the mountain of evidence concerning the economic performance and education link, our nation seems to be discounting this relationship.

Greater national success in technology and engineering, for example, can be achieved by upgrading the STEM (science, technology, engineering, and mathematics) education of as broad a segment of our population as possible. These STEM education efforts ought to provide incentives for people to participate, in other words to increase the STEM proficient Base, and make it more likely that talented scientists, engineers, and mathematicians will emerge and move to the “next level” in a variety of endeavors, from academia to business. Such efforts also create a larger audience of science- and mathematics-literate individuals who appreciate and support the performance of leaders in these fields.

These efforts must extend beyond the standard education venues to a variety of platforms. In math, for example, we might set a national goal to maximize the number of people who are capable through calculus and create an online, open-source curriculum, with graphics and chat capabilities that would allow people to interact with instructors. This effort would create a broad base of people with experience and competence in mathematics. Another excellent example is the BEAM 6 program in New York City, which draws on low-income school populations and identifies students for summer programs involving intense immersion in math. Such platforms can also be extended to foreign language acquisition or any

number of other disciplines and subjects.

While there is an important role for more specialized training programs that focus on particular skills, liberal arts education, as it traditionally has been called, must be a core element of developing the Broad Base. A liberal arts education historically has played an important role in elevating the workforce and producing high levels of economic performance in the United States, at least when the United States was the clear, positive outlier in providing public education. The traditional commitment to a general, liberal arts education must be maintained. The varieties of intellectual and substantive skills that fire the imagination are much less prevalent without the arts and humanities.

Fourth, manage immigration rationally to grow the Broad Base. Producing our own supply of people with the skills, imagination, and willingness to engage in entrepreneurship is critical, and immigration plays an increasingly important role in that regard, as well. Immigrant students, the children of immigrants, and immigrant entrepreneurs historically have played a disproportionately large role in some of the most innovative and competitive industries, whether in technology or popular culture.

The various immigrant diasporas represented in the United States—Latin American, Filipino, Chinese, Korean, Taiwanese, Indian, Vietnamese, and Israeli, for example—provide networks and opportunities for more effective business interactions with other countries in ways we have not anticipated, much less appreciated. In their study of immigration networks' impact on trade between host countries and countries of origin, for example, scholars find that clusters of immigrants produce significant and positive effects on trade between the United

States and the immigrants' home countries.

The United States continues to be an arena that attracts talented, motivated, and acquisitive people and we seem to have lost confidence in the quality of people we attract. Indeed, the U.S. Congress has not adequately addressed issues related to the green card backlog and the transition from student visas to work visas and green cards. We are, as a nation, currently more prepared to invest vast resources in keeping people out, while disdaining any effort to invest in more efficient and speedier processing of the many who have legally applied to come here. Many of our competitors are now more aggressive in competing for the best and brightest and most motivated, and a U.S. immigration policy that is mired in the noxious partisan swamp in Congress is a potential hazard to our nation's entrepreneurial vitality.

Fifth, create a reasonable safety net to enhance risk-taking, a central feature of entrepreneurship. If the consequences of entrepreneurial failure are drastic, particularly for younger or first time businesspersons, people might be deterred from taking the risk of starting or investing in business. A variety of studies, for example, have found that the burden of student debt has become a significant drag on the willingness of younger people to launch businesses. Forgiving some of that debt can have broad public benefits that might "pay for themselves."

A 2010 study by RAND, for example, finds that having health insurance, especially without it being tethered to a specific employer, increases the probability of starting a business. Other studies find that more forgiving bankruptcy protection for modest income families is

associated with higher self-employment rates. Policies of that sort, particularly for first-time, younger potential entrepreneurs might also goose the rate of business formation.

While an excessively generous and expensive safety net, whatever that might be, can weigh too heavily on an economy, it is also plausible that entrepreneurial dynamism is limited by a frayed and paltry social safety net.

There are serious barriers to applying some of these policies. Anxiety and skepticism, for example, continue about the economy. Much of the restiveness about the economy today is associated with a widely held perception that increased inequality is largely due to government policies and the excessive influence of “people at the top.” Individuals’ confidence and faith in public- and private-sector groups have been significantly eroded, leading them to doubt that these institutions and actors are operating to improve the lives of ordinary Americans.

Altogether, these factors weaken the pillars of trust among individuals, making them wary of one another. This policymaking climate is not conducive to building support for some of the necessary responses to our nation’s needs, such as infrastructure and workforce training investments.

Virtually all policy reforms designed to propel economic activity require well-designed actions from our public sector. These include revising tax policies, reviving and renewing our energy, transportation, shipping, and communications infrastructure, reforming regulation, easing certification burdens, modifying patent policies and ending patent trolling, achieving tort reform, providing startup assistance, boosting education and workforce training support,

implementing curriculum improvements, or accomplishing immigration reform, among many others.

Unfortunately, among our greatest challenges today is our tendency to hunker down into deeply partisan battlements. In the words of The New York Times contributor Thomas B. Edsall “Many, if not most, of the reforms proposed by economists and other analysts require political action. At the federal level, this would require bipartisan support, an achievement often out of reach in a polarized system.” He goes on to conclude, not implausibly, that, with no relief from our divisive public discourse, “the economy will be held hostage in the battle for supremacy between two ideological poles. . . .” It’s worth noting that these partisan divides and gridlock now are extending beyond the federal government to the states, with a number of states even more polarized than is Congress.

Ever since Andrew Hamilton advocated for an active government role in finance and commerce, we have debated the role of government in the economy. That venerable debate has been a healthy one, often producing great compromises and valuable policy innovations. The development of voucher systems for delivery of services such as affordable housing, health care, the earned income tax credit, carbon taxes on greenhouse gasses, and a host of smooth-functioning, public-private partnerships, emerged from compromises between those who advocate for government intervention and those who believe that government should deploy market-like forces in the delivery of public services. Unfortunately, fruitful conversation regarding policies to promote entrepreneurial growth seems muted or choked-off entirely in today’s public discourse.

The idea of Broad Base Power moves attention away from the obsession with tax cuts and mindless regulatory cuts. Broad Base Power concentrates on policies that link both excellence and equality of opportunity. It is a perspective that addresses people's concerns about merit, honesty, and wider participation in the nation's economy. It is pragmatic and in line with our nation's history of previous successes. We have the experiences and knowledge that can guide strategies and actions to improve our economic vitality and entrepreneurial dynamism. However, these require us to overcome many of our short-term, narrow interests and dogmas. And *that* challenge, perhaps, is the knottiest, most mysterious of all the policy puzzles we face.