

Helping the Marginalized in the Developed World Create Meaningful Lives for Themselves.

Although we should remain grateful for the extraordinary spectacle of mass well-being in the developed world, and the steady expansion of those nations in which mass well-being is a reality, there remain many people in developed nations who have miserable lives despite living in nations of abundance. How can we develop entrepreneurial solutions to empower those in developed nations whose lives are not successful?

In order for people to be happy and well, first and foremost they need to be valued by others. If a human being does not feel valued by others, their life is sure to be miserable no matter what material circumstances they have. Although there are many ways of feeling valued by others, being paid by others for one's talents, abilities, and labor is certainly among the most important.

For people whose labor is not currently valuable to others, there are three kinds of solutions:

1. We could become entrepreneurial consumers, and learn to appreciate what marginalized people are already capable of producing.
2. We could become entrepreneurs who capitalize on marketing the existing skills and talents of the marginalized, or entrepreneurial employers who discover new ways to combine their skills and talents into marketable products, and thereby create new markets for their existing skills and talents.
3. We could offer them coaching and education that will help them to develop new skills, or to become more proficient in their existing skills, so that others will be more likely to value their talents, abilities, and labor.

All three paths have been explored in the past, and yet all three paths may be developed to a much greater extent.

Becoming an Entrepreneurial Consumer and Marketing the Marginalized

With respect to becoming entrepreneurial consumers, for generations now cultural creatives have developed new appetites for goods and services from peoples whose talents had previously been underappreciated. Picasso's validation of "primitive art," along with the appreciation developed by anthropologists, led to an enormous shift from a narrow set of tastes for elite "civilized" art to a much broader appreciation for the art forms of other cultures. The appreciation of jazz, blues, and folk music has enriched mainstream culture while creating new and larger audiences for these music forms than existed in the 30s, 40s, and 50s. Pottery from certain tribes and certain tribal artists in New Mexico has become extremely valuable. This process continues, with punk, rap, and hip-hop forms being brought into the mainstream, crafts and music from indigenous cultures developing ever-larger audiences, and practices such as tai chi, yoga, native American sweat-lodges, and more reaching larger and larger audiences.

Many of these movements were built on a spontaneous appreciation of particular cultural traditions and products. There is no reason, however, why we should not be able to develop “entrepreneurial consumerism” into a much larger and more aware movement. Israel Kirzner describes “entrepreneurial alertness” as the key entrepreneurial trait. From this perspective, as each of us becomes more aware of the value that diverse peoples provide, some of us will discover truly wonderful goods and services produced by marginalized peoples in the developed world.

Although many of the examples listed above are cultural products from outside the developed world, there is no reason why more entrepreneurially alert consumers and aficionados cannot continue to discover unrecognized value among those who are currently considered marginalized within developed nations. The contrary notion, that we have already discovered everything of value among marginalized people, is both outrageous, in that this history of innovation and discovery reveals that such processes are endless, and offensive, insofar as such a notion carries with it the presumption that such peoples have nothing to offer.¹

The move from being an entrepreneurial consumer to becoming a marketer for the products and services of the marginalized is not great. Often someone who loves a particular cultural product becomes one of the first entrepreneurs to disseminate it widely. Alan Lomax’s passion for collecting folk music before it disappeared naturally led to him becoming a vector for popularizing folk music in the culture more widely. Sam Philips’ love for black music, and his deliberate attempt to find a way to bring it to white audiences, literally made rock’n’roll history: Although it is remarkable that Jerry Lee Lewis, Elvis Presley, Carl Perkins, Roy Orbison, and Johnny Cash all got their start with Sun Records, given Philips’ deliberate identification of a new niche, it is not a coincidence. Although Philips’ initial attempts to market African-American musicians failed due to the racism of American consumers at the time, and thus many brilliant blues musicians died penniless, the creation of rock’n’roll ultimately led to a mass market in which many African-American artists have since flourished.

In retrospect, it is all too easy to take for granted the various fields in which African-American cultural influences have moved from the margins to the mainstream of American culture in the last eighty years. In many cases, heroic individual performers share credit with marketers and entrepreneurs who have had a variety of motives, from the crass to the mundane to the heroic. Branch Rickey’s signing of Jackie Robinson, breaking the color barrier in professional sports in the U.S., was at least as much a matter of business opportunism as it was idealism. And yet the effect was the same.

Any time any individual, or group of individuals, are being paid less than they are worth, an entrepreneurial opportunity exists to create a successful business by hiring those who are underpaid. Just as Rickey’s move was both good business and effective idealism, there are likely to be an unlimited set of opportunities for purchasing the goods and

¹ For an analysis of our perception that supports the notion that new discovery is a ubiquitous and endless process, see Strong, “Perceptual Salience and the Creative Powers of a Free Civilization.”

services of the marginalized and marketing them to a broader market in the context of a viable business, for profit or not for profit, to make money or for the sake of ideals.

In a very different way, I suspect that there is a sense in which many women's skills are being undervalued in such a way that there exist entrepreneurial opportunities to create successful businesses that build more effectively on the contribution of females. It is difficult to generalize across thousands of enterprises, and yet there may yet be a preponderance of enterprises that more fully recognize and support human characteristics that may more frequently be found in males. Insofar as this may be the case, the implication is that there would exist entrepreneurial opportunities to create new businesses based on the more complete recognition and support of those characteristics more frequently found among females. As males and females alike discover new ways to support and value their respective capacities we will be able to create new and better institutions that bring out the best in everyone.

There is an entire academic industry devoted to "cultural criticism," whereby professors write about what they consider to be widespread cultural biases against some people based on issues of race, class, and gender. Our perspective is that going out and selling people, selling customers, on those human beings whose characteristics have been undervalued is a far, far more effective approach to creating a better world than is encouraging anger and resentment. Criticize by creating!

All of us have an unlimited amount of potential that has barely yet been tapped; please do go out and discover unrecognized capacities, and bring them forth into the world!

How to Empower the Marginalized when the Market Accurately Reflects the Value of their Contributions

What should we do for those individuals who are not presently valued by others?

What if there remain some individuals who are not being paid less than what they are worth? It might be the case that some people, who either cannot sell their labor or who cannot earn enough to live on, are in such a situation because their labor is simply not very valuable at present.

Although there is a profound sense in which everyone is equally worthy as a human being, on which western civilization is based, anyone who has ever run an organization would agree that not every individual contributes the same value to an organization. It is important to recognize this principle directly and honestly before considering how to help the marginalized. Although judgments concerning productivity, contribution, and value differ from person to person, which is why we encourage entrepreneurial initiatives to discover value where others had not yet discovered it, there may be situations in which some people do not yet contribute significant value.

These situations are not merely due to greed. When I was running a school, I needed a very capable office manager because I am not a detail-oriented person. A school has a limited budget. If I spend my budget for an office manager on hiring someone who is not terribly capable when I could have, instead, hired someone who is extremely capable, my decision irresponsibly penalizes all of the students, teachers, staff, and parents who depend on that individual's effectiveness. If, in effect, I pay someone more than they are "worth" in the current labor market, then I am wasting my organization's assets.

Although reasonable people may disagree, there are often uncontroversial situations in which it is clear that certain people are not capable of contributing very much. Forcing organizations, of whatever nature, to pay people more than they are currently getting in the labor market introduces an element of dishonesty in a society, a dishonesty that is profoundly pernicious. Again, if one believes a class of people is underpaid, starting one's own business and employing them is a far more honest and effective course of action.

Although the prevailing disposition in many countries is to subsidize the lives of those whose labor is inadequately valuable by means of government programs, and although that may be a necessary short-term expedient, it is hardly an ideal circumstance or one that is likely to provide the marginalized with a sense of pride or empowerment. While a minimal safety net, provided either privately or through a government, is an act of humanity, subsidies and transfer payments should always be a temporary measure. To perceive oneself as worthless to others, for an entire lifetime, is a gruesome and soul-debilitating sentence to pass on any human being. Strictly in terms of humane values, the value of helping others to add value to themselves, so that they may be valued by others, towers above the humiliating and dispiriting effects of encouraging dependency.

We are seeking to create a world in which all human beings, most of the time, are engaged in a flow experience in which they are constantly matching their ever-expanding skills against ever-increasing challenges. Our social goal should be to help these people experience positive, empowered, lives in which they feel happy and well.

As an educator, for many years I agreed implicitly and explicitly with the notion of forcing young people to learn, the dominant paradigm in our society. Gradually (although it is difficult in a world of coercive schools), I began to focus my attention only on those who expressed some willingness to learn, even for the flicker of a moment. Although someone lacking imagination might believe that this approach amounts to deserting those who most need to learn, I have been more capable at getting more students engaged in learning than the vast majority of educators by building on each student's spontaneously given initiative and curiosity rather than coercing by means of rewards and punishments. Almost all students do at one point or another manifest some kind of desire to learn (perhaps about skateboarding, or rock guitar playing, or auto mechanics, or how to start their own businesses). And I gradually realized that anytime another human being initiates some interest, "helping them," whether it is helping them to learn or helping them in another way, becomes vastly more effective.

In order to help the marginalized become empowered, we need to find a way to focus on the ones who are willing to take some initiative, of whatever kind, to better themselves.

Thus, from this direction as well, the entrepreneurial solution to helping those who are not presently valued by others is to sell training, coaching, education, or some other personal development techniques to them. If it be countered that they cannot pay for such services, then in principle they should still be required to contribute a certain amount of labor, of a specified quality, by the socially-motivated entrepreneurs who are trying to develop their client's value. At a minimum, they must be willing to commit their own time and attention to the learning process.

Often there are calls for larger "job training" programs in which the marginalized can learn new skills, such as computer skills. In my experience hiring office managers, although computer skills were necessary, what differentiated an office manager worth \$50,000 to the organization from one worth \$20,000 had nothing to do with technical skills and everything to do with focus, self-discipline, initiative, accuracy, and other skills that are not "taught" by conventional job training programs.

The U.S. Department of Labor's "Secretary's Commission on Achieving Necessary Skills" (SCANS) report includes many similar "personal" characteristics which they describe as among the "foundational competencies" upon which all else must be built:

WORKPLACE KNOW-HOW

The know-how identified by SCANS is made up of five competencies and a three-part foundation of skills and personal qualities that are needed for solid job performance. These include:

COMPETENCIES effective workers can productively use:

- **Resources** allocating time, money, materials, space, and staff;
- **Interpersonal Skills** working on teams, teaching others, serving customers, leading, negotiating, and working well with people from culturally diverse backgrounds;
- **Information** acquiring and evaluating data, organizing and maintaining files, interpreting and communicating, and using computers to process information;
- **Systems** understanding social, organizational, and technological systems, monitoring and correcting performance, and designing or improving systems;
- **Technology** selecting equipment and tools, applying technology to specific tasks, and maintaining and troubleshooting technologies.

THE FOUNDATION competence requires:

- **Basic Skills** reading, writing, arithmetic and mathematics, speaking, and listening;
- **Thinking Skills** thinking creatively, making decisions, solving problems, seeing things in the mind's eye, knowing how to learn, and reasoning;
- **Personal Qualities** individual responsibility, self-esteem, sociability, self-management, and integrity.

What if social entrepreneurs developed organizations and trainings that helped the marginalized learn the skills they really need, rather than only those technical skills that are currently being offered?

There are at present ten-day Vispassana meditation retreats created by the spiritual entrepreneur S.N. Goenke that are excellent means of learning internal focus and discipline. Participants are required to wake up at 4 a.m. and spend most of the entire day, until 9 p.m., learning and practicing Vispasana mediation techniques. No talking, eye contact, reading, writing, music, electronic devices, nor any other distractions are allowed. Participants are not allowed to leave the mediation premises. Participants are given healthy vegetarian meals for breakfast and lunch and then fruit for dinner. Because all distractions have been removed, and because the techniques taught are designed to develop mental focus and personal discipline (the long sitting positions can be very painful), participants generally leave such a ten-day retreat with much stronger focus and discipline skills than they entered with. And, at the end of the retreat, one pays only what one can afford.

Self-discipline is the key to solving life's problems. To quote M. Scott Peck's words once again,

“Discipline is the basic set of tools we require to solve life's problems. Without discipline we can solve nothing. With only some discipline we can solve only some problems. With total discipline we can solve all problems.”²

For those among the marginalized who are willing to submit themselves to a regimen of discipline, such as a Vispassana mediation retreat, many possibilities will open up to them. Once one has developed self-discipline, one has the ability to learn many other skills. While Goenka's Vispassana meditation retreat are but one example of such discipline training, at a minimum it seems reasonable to expect those among the marginalized who would like greater assistance to submit themselves to this or similar training in self-discipline.³

There may be readers who think that encouraging the marginalized to meditation is a frivolous and unlikely path. Perhaps for some individuals martial arts would be a more effective path to self-discipline. For others, joining a church might be a turning point. What has not been adequately acknowledged is the extent to which we are, at present, gradually creating a sub-population that is passing on hopeless life patterns to children and grand-children. The Dalai Lama is a global symbol of international compassion. And yet traditional Buddhist training is profoundly disciplined. Helping those who lack self-discipline to obtain it is among the most compassionate acts possible.

² M. Scott Peck, *The Road Less Travelled*, pg. 1.

³ There is physiological evidence that mediation thickens the portion of the brain responsible for sustaining attention, http://www.livescience.com/humanbiology/051111_medidate.html

Whatever the technique being used by those who attempt entrepreneurial solutions among the marginalized, a first principle must be that those who are “being helped” (the very phrase is disrespectful) show some initiative and commitment. If someone doesn’t want to help themselves to be helped, then any “assistance” beyond survival level is inappropriate, both because it is inefficient to “help” those who will not put forth any effort, and because there will for many years be other human beings, needier and more willing to work, and we altruists should focus our limited human abilities on helping those who are contributing something of themselves to the act of uplift.

Because falling into a safety net should be a last resort, and not a place in which to become trapped, it should be as simple and economical as possible. More importantly, the safety net should be a situation in which virtually every one who falls into it is able to earn themselves out of it. The “earning out of it” is the beginning of empowerment. A safety net in which one remains for one’s entire life is a life-stifling black widow’s web.

Given that “earning one’s own way” by means of productive contribution to society is essential to everyone’s happiness and well-being, how can we move towards a world in which more of the marginalized can pull themselves up?

Creating the Conditions for Flow for the Most Marginalized

Historically, economic growth has benefited all people from all classes.⁴ Thus those policies that support growth – including minimal regulation and minimal government spending – would be first and foremost among the supports for the marginalized insofar as they will result in greater growth and thus more opportunities for all. In addition to the benefits of more jobs and better incomes, free markets, when allowed to innovate, have created more diverse, higher quality, and lower costs products and services in every field.

In order to help people to escape our minimalistic safety net, we need to ensure that it is easier to take those crucial first steps towards self-reliance beyond the safety net. A society in which the first steps towards self-reliance are too large will continue to marginalize those who are least privileged. We must therefore focus on how to make the most crucial needs for self-reliance affordable and good.

Thanks to a relatively free market in food, a reasonably healthy diet is already extremely affordable and good. A reasonably healthy diet of beans, rice, pasta, and a few vegetables may be purchased for less than a thousand dollars per year, more calories, of higher quality, than at than at any point in human history. The key areas in which we

⁴ The single most pernicious mistake that continues to be perpetuated in many history classes is the notion that under laissez-faire capitalism “the rich got richer and the poor got poorer.” Brad DeLong, a Left-liberal Keynesian Berkeley economist acknowledges that at this point the debate is whether the increase in working class standards of living between 1750 and 1850 is whether it was 25% higher or 75% higher. From the 1840s, just as Marx, Engels, and Dickens were popularizing the worst horror stories of the Industrial Revolution, the evidence is clear that working class standards of living steadily improved.

need to allow entrepreneurs to make life more affordable and good are housing, transportation, health care, and education.

Due to a pernicious and insidious elitism, there is a propensity for some people to “demand” that “all people” only have access to a specific type or level of standard of living. The consequence of “demanding” that “all people” live in a certain type of housing, for instance, has been to eliminate housing for the poor and force more people into homelessness. There is evidence, for instance, that the elimination of Single Room Occupancy (SRO) hotels in inner cities in the 1970s was the direct cause of the explosion in homelessness in the 1980s. Such hotels did not provide private bathrooms, but they were affordable. It is very important to realize that if we truly want people to be empowered to care for themselves, we must allow for the creation of low-cost options in life, and we must respect those low-cost options. The more righteously demanding that we allow our lifestyle elitism to be, the more extensive will we dis-empower and marginalize more people in our society.

The most important investment in human capital of all is every individual’s commitment to take his or her first step towards self-reliance. Any humane society must, first and foremost, be committed to making that first step towards self-reliance possible. The class bigotry that has resulted in mandating that only unaffordable housing, transportation, and health care be allowed has resulted in a tragic trap of dependence for those millions of individuals who have attempted to take that first step but found that they could not earn enough to pay for the basic necessities of life. While we encourage entrepreneurs to increase the value of the poor’s labor, we simultaneously must work to make the costs of self-reliance more affordable.

Making Life Affordable and Good: Housing

In an effort to reduce the stigma (class bigotry), to be blunt from manufactured housing, The Field Museum of Chicago recently presented an exhibit to transform these attitudes. Titled “Out of the Box: Design Innovations in Affordable Housing,” their catalog expresses a fresher design perspective well:

Contrary to popular belief, manufactured homes have long been an affordable and high quality housing option. The history of these pre-fabricated dwellings transcends time and cultural boundaries, reflecting a long and colorful history. Native American teepees, yurts in Central Asia, Sears and Roebuck “kit houses,” and the mobile home are but a few examples.

In the last decade, almost 25% of new home construction in the United States is pre-fabricated or uses pre-fabricated components. The exhibition's designers seek to dispel the stigma associated with the “trailer”home, using cutting-edge technology and innovative design concepts to accommodate consumers' unique lifestyles. Contemporary

designs offer consumers endless possibilities--from high-rise apartments designed with stackable modules to single-family one or two-story homes. A variety of designs accommodate disabilities or feature energy efficiency, and include choice amenities such as vaulted ceilings and home gyms.⁵

If low-cost housing is seen as an interesting, beautiful, and original design problem, then it will draw interesting talent from design, social entrepreneurship, financing, and elsewhere in order to create change.⁶

Indeed, Seattle's Noji Gardens is just such a project. HomeSight, an organization dedicated to creating affordable housing, has created a project in which two-story manufactured homes, designed to look like site-built homes (these days it can be hard to tell the difference) are being sold new for 10% less than equivalent used homes.⁷

As with many of the current generation of social entrepreneurship efforts, the Noji Gardens development is a project that was developed on the scale of cottage industry: Eleven single-family homes and sixty-four townhomes. This is not to denigrate the efforts of the developers of Noji Gardens, but to point out that effective solutions need to take place on a much larger scale.

There are legal obstacles that prevent such an outcome, however. Roberta Feldman, curator of "Out of the Box" exhibit, points out:

"It would be very expensive to produce a prototype of many of them [the innovative home designs]. At this point they read like boutique housing, but it doesn't have to be boutique if it were produced in large numbers. The Model T Ford, if they only produced one or a hundred, would have cost a fortune. . . . Maybe we should be questioning why we're not building houses the way we build cars . . . We're very willing to accept cars off an assembly line. We've come to recognize our manufacturing plants that create a great diversity of consumer products and meet consumer demand, yet in our housing somehow we insist that it has to be site-build to be a good home. [But] We have what's called prescriptive building codes, which tell you, not in every instance, but in most of our code, what materials you have to use. Whereas a performance based building code, which, for example, most European nations are moving towards, will say what kind of performance they expect: a wall has to have a fire rating of 2 hours, which means a fire can't go through a wall for two hours. The city tried to encourage the industry to come in, especially to provide units in lower-income communities, and it didn't fly, because by

⁵ <http://www.dwellmag.com/community/events/1188132.html>

⁶ Indeed, there is an entire movement promoting economical, ecological and aesthetic design as a solution to global problems. Designer Bruce Mau's *Massive Change Project*, ground zero of this movement, is an excellent compliment to the FLOW project.

⁷ http://www.knowledgeplex.org/kp/text_document_summary/article/refiles/fmf_0510_noji_gardens.pdf

the time they met the building codes, it just wasn't cost effective. It doesn't mean it's lower quality. It's not. Largely that is to support unions, which I believe in. We're in a double bind here. I think labor should get higher wages (but) - our housing codes go beyond health, safety and welfare to include other norms and other special interest groups."⁸

Social entrepreneurs and innovative designers interested in supplying affordable housing, working in conjunction with manufactured home producers, could create much larger scale solutions if a movement existed to reduce housing regulation nation-wide. Indeed, in a sufficiently unregulated housing market, housing costs could come down dramatically just as costs for so many other goods have come down.

With respect to many necessities, especially food and clothing, the much-maligned Wal-Mart has been one of the most effective beneficiaries of those poor in history (for those who have access to their stores). There are estimates that Wal-Mart has saves American consumers (especially low and middle-income consumers) approximately \$263 billion per year.⁹ Relative to the 1970s, household consumables other than housing, transportation, and health care have generally improved in quality while decreasing in price with the poor being the primary beneficiaries.¹⁰

Real wages for the working poor have stagnated if one doesn't include benefits. If one includes benefits, however, wages for the working poor have increased since the 1970s.¹¹ But not all of the working poor have received those benefits and, even for those who have, the additional benefits, while valuable, do not help with month to month budgets. With static real wages but declining costs of consumer goods, the working poor would have experienced an increasing standard of living. But there is one major culprit that has undermined any hope that the working poor could make significant economic progress: Housing, which takes up 30-50% or more of household budgets among the poor.

Housing costs, on the other hand, have increased by 72% since 1970. As a Harvard study on housing in Manhattan points out,

"there were 13,000 new units permitted in Manhattan in 1960 alone, only 21,000 new units were permitted throughout the entire decade of the 1990s. In spite of skyrocketing prices, the housing stock has grown by less than 10 percent since 1980."¹²

The nation-wide explosion in housing regulation and anti-growth policies has been catastrophic for the poor in the U.S. Almost half of all renters spend more than 30% of

⁸ <http://www.lynnbecker.com/repeat/beyondtrailer/designinnovations.htm>

⁹ Jason Furman, "Wal-Mart: A Progressive Success Story," http://www.americanprogress.org/atf/cf/{E9245FE4-9A2B-43C7-A521-5D6FF2E06E03}/WALMART_PROGRESSIVE.PDF

¹⁰ W. Michael Cox and Richard Alm, *Myths of Rich and Poor: Why We're Better Off Than We Think*.

¹¹ Cox and Alm

¹² Glaeser, Gyourko, and Saks, "Why is Manhattan so Expensive? Regulation and the Rise of House Prices," <http://post.economics.harvard.edu/faculty/glaeser/papers/Manhattan.pdf>

their income on rent (categorized as “unaffordable”) and nearly a quarter of all renters spend more than 50% of their income on rent (categorized as “severely unaffordable.”)¹³ The great irony is that while housing costs have nearly doubled, construction costs have decreased.

If construction costs are decreasing, how can housing costs increase? In a rigorous empirical analysis, Harvard economists looking at a variety of evidence concluded that at least 40% of the increase in housing costs since 1970 is due to increased regulation. The increase in land values appears to account for only about 10% of the increase in cost. The rest may be attributed to increases in housing quality (some of which may have been required by regulation).¹⁴ They then go on to explain the numerous causes of increased housing regulation since the 1970s.

Most people are highly aware of the extraordinary power of technological innovation and, correspondingly, of steadily improving quality and decreasing cost in the field of technology. Unfortunately, most people are not aware that this relentless increase in value is the result of free enterprise – it is not the result of technology. The comparison of IT progress in the U.S. vs. the Soviet Union was based on this fact. The Soviets put enormous investments into some areas of technological progress, including weapons programs, a space program, and a supercomputer. Again, when they mobilized their resources towards a very small number of very specific goals they were relatively successful. But the texture of day-to-day life for millions of people cannot be improved by government mobilization towards limited goals. It is crucial to allow for widespread free enterprise.

Free enterprise results in relentless improvements in all fields when it is allowed to do so. Every action taken and every interaction is a potential opportunity for creative improvements. We can never say before hand which person in which interaction will make which improvement no more than we could determine which mutation in an evolutionary software system will result in which lasting improvement. There is no substitute for massive parallel unpredicted experimentation and innovation.

Cotton was once a luxury good only available to the rich. Prior to the Industrial Revolution the poor mostly wore the same woolen clothes year after year, though some poor were able to afford a change of clothes for winter vs. summer. But by 1812, the price of cotton was 1/10 the price of cotton in the 1770s. By 1860, it was less than 1/100th of its price prior to the Industrial Revolution. Contrary to popular belief, this took place while average working class wages were steadily increasing: all credible economic historians now acknowledge that Marx was simply wrong when he claimed that “the rich got richer and the poor got poorer.” In fact, the Industrial Revolution created the first massive middle class in history in the U.S. and Britain. For the first time ever, anywhere on earth, working families could afford luxuries like cotton and tea, cotton clothing, newspapers and magazines, travel, entertainment, etc.¹⁵

¹³ See <http://www.nlihc.org/pubs/uaw04/UpAgainstaWall.pdf>.

¹⁴ <http://post.economics.harvard.edu/hier/2005papers/HIER2061.pdf>

¹⁵ Paul Johnson, pg. 300 and elsewhere.

In order to understand how to help the poor, it is very important to know what has worked in the past in helping the poor. And while there continue to be quibbles about the exact characteristics of successful markets, it is not significantly disputed that large-scale free enterprise is an amazing system for generating wealth for all.

As we have seen, however, housing prices have not fallen the way that so many prices have. We do not see a trajectory by means of which housing prices are on their way to falling to a tenth or a hundredth of their current prices. Although construction prices have fallen slightly, progress does not appear significant.

By contrast, however, manufactured homes have become both cheaper and higher quality than in the 1970s. The median family income of owners of manufactured homes decreased in constant 1993 dollars from \$24,000 in 1974 to \$20,000 in 1993. The median family income of renters of manufactured homes decreased in constant dollars from \$19,000 in 1974 to \$15,000 in 1993 (again in constant 1993 dollars).¹⁶ Thus in those regions in which manufactured homes are allowed (mostly rural areas), they provide extremely viable low-cost housing.

The regulatory restrictions that resulted in a 72% increase in housing prices since the 70s have also, invisibly, eliminated opportunities for much larger cost decreases. In the present regulatory environment, construction costs have decreased slightly. In the meantime, manufactured housing has seen a more substantial decrease in costs in those mostly rural areas in which they are allowed. Indeed, on a square foot basis, manufactured homes decreased in cost by 19% from 1974 to 1993 whereas single-family built homes decreased in cost per square foot by only 7.6% (without adjustments for increases in quality).¹⁷ While manufactured homes must meet regulatory standards as well, those standards are federally-mandated performance standards which allow for considerable flexibility and creativity in meeting the standards, whereas the motley mix of local building and zoning codes, growth restrictions, and environmental mandates are often highly restrictive.¹⁸

Without an increase in wages, if the cost of living across the board decreased by 50%, those working poor would experience a 100% increase in their standard of living. A 50% decrease in the cost of living is not extraordinary over time when millions of creative entrepreneurs are allowed to discover new and better ways of doing things.

A world in which people make their own decisions, be responsible for their own choices, and thereby be able to afford a decent standard of living is a much better world than is the

¹⁶ http://www.jchs.harvard.edu/publications/markets/R97-1_vermeer_louie_Futmanhousing.pdf

¹⁷ http://www.jchs.harvard.edu/publications/markets/R97-1_vermeer_louie_Futmanhousing.pdf

¹⁸ Often codes are extremely proscriptive: Chicago unions insisted in building codes that required the installation of lead pipe in Chicago buildings long after it had been known that lead causes brain damage in children because the plumbers made more money installing lead pipe than copper or plastic pipe. There are jurisdictions in south Florida in which the landscaping is specified down to the particular species of plants required for specific arrangements. Not surprisingly, it turns out that only one or two landscapers happen to carry that particular species of plant in that particular required size.

one in which we live. The lack of unaffordable housing is a crisis in the U.S. But creating long-term ever-more comfortable and more affordable housing is a better solution than are government housing subsidies. We need to let the million of creative, innovative, and entrepreneurial individuals get to work making a difference.

If the makers of manufactured housing can create a rural solution that works for those with a median household income of \$15,000, why not let them, in conjunction with the designers and social entrepreneurs, create such a solution, and better, for urban residents as well?

Making Life Affordable and Good: Health Care

Health care is intrinsically an emotional issue, because it is sometimes a life-or-death issue, and it has become a more emotional issue in recent years because of attempts to create a national health care system. There are many people who believe that any civilized nation should have a national health care system.

How can we solve health care issues by means of creative entrepreneurial solutions rather than government?

First, it is important to acknowledge that acting on a sense of urgency, especially when considering an issue such as health care, is not in the long-term best interest of most of the marginalized. Although there are indeed urgent and tragic situations everyday, in which poor people die because of inadequate health care, we also want to be sure that we don't create a system in which, fifty years from now, more people are experiencing more health problems because we have failed to address underlying issues.

It is also worth noting that in the United States, the Clinton-era welfare reforms also quietly expanded Medicaid coverage such that now many among the working poor have access; In Minnesota, for instance, a family of four may earn up to \$54,000 and be eligible for Medicaid. As a consequence, program growth has been enormous:

Medicaid and the related Children's Health Insurance Program covered an average of 46.8 million Americans a day in 2004, up more than 13 million from when welfare reform passed in 1997. The program covered 61 million people at some time during 2004, nearly 20 million more than in 1997.¹⁹

Although Medicaid is a costly and inefficient means of allocating health care, there is at present a much more extensive safety net with respect to health care than is generally acknowledged. It is now the most costly items in many states' budgets.

Another reason that we should be less emotional about health care than we are is the fact that, surprisingly, it is not at all clear that "more health care," in the sense of professional services provided by professional health care providers, results in more health. Several

¹⁹ *USA Today*, August 1, 2005, http://www.usatoday.com/news/nation/2005-08-01-medicaid-inside_x.htm.

studies have been done to try to determine whether or not people who have greater access to health care are healthier than people who are not, and except for a few specific areas, it appears as if health care does not result in significantly more health. In one large randomized study (N = 5816), free eyeglasses, better dental care, and treatment for high blood pressure did, in fact, result in improvements in those areas. Oddly, however, more health care resulted in more healthy poor people being sicker, spending more of their time in restricted activities, increasing acne, and decreasing their hearing.²⁰ While the particular negative results of this study may well be doubted, overall it is clear that exercise, diet, and avoiding smoking, excessive drinking, and drug use are far more effective means of acquiring greater health than is access to health care.

Whole Foods Market (WFM) has implemented a health care policy that rewards healthy habits more than do standard insurance schemes, private or government-funded. At WFM, employees are provided with a high-deductible catastrophic health care policy, with a \$1500 deductible, and the provided \$1500 in a health management account which they may either spend on preventative or alternative medicine or they may use towards their deductible. This entrepreneurial approach to health care has resulted in dramatic improvements in employee health while simultaneously resulting in dramatic saving in health care costs. Prior to implementing this plan, when employees had no incentive to save on health care costs, they would purchase health care services without thinking about it.

This is a profound nation-wide problem: when people pay only a fraction of the price of health care (often 10% or less in standard employer-based insurance policies), and they are often treated by medical professionals for whom there is every incentive to encourage more health care purchases at higher prices, and no incentive to encourage less health care purchases at lower prices, the natural result is an ongoing explosion in health care costs. And given that, most of the time, more health care does not result in more health, we have developed a system in which we are wasting an extraordinary amount of money.

Under the WFM system there was an incentive for people to economize on health care costs while also making prudent investments in their long-term health and well-being. Many more employees began using those preventative approaches which they believed would benefit their long-term well-being. Many more avoided spending unnecessary funds on health care of dubious value, instead saving their funds for the future. The health care management accounts allowed employees to roll over their unused funds from previous years, so that they could acquire a substantial fund to pay off deductibles and invest in alternative therapies when they so chose in the future.

One of the problems with Medicaid, or any government program, is that it tends to create a frozen state in which fundamental improvements no longer take place. People used to describe the Soviet Union in the 1980s as a museum of 19th century industrial equipment, a curiosity, but not a dynamic, innovative society. The WFM health care plan, a recent innovation, is spreading to other corporations. This, and other plans, will encourage

²⁰ Cited in Robin Hanson, "Fear of Death and Muddle Thinking - It is So Much Worse Than You Think," GMU Econ department, August 2005, <http://hanson.gmu.edu/feardie.pdf>.

more people to develop healthier lifestyles - while reducing costs. This is what entrepreneurial solutions are all about: making every aspect of life more affordable and good.

The one group that is less enthusiastic about the WFM plan are those individuals with chronic health conditions. Because these individuals often spend their entire \$1500 deductible on health care each year, they don't receive the "healthiness dividend" that other employees receive. What about people with chronic health conditions?

The National Center for Chronic Disease Prevention estimates that 75% of our \$1.4 trillion in annual health care costs goes towards the treatment of chronic diseases (the big ones are heart disease, stroke, cancer, and diabetes). They are "the most prevalent, costly, and preventable" of all health care problems. They are preventable because, for most of them, lifestyle changes, including exercise, diet, and avoiding substance abuse, dramatically reduce the incidence of such diseases.

We have seen that acceptance of personal responsibility is the core of personal growth and spiritual growth. It also turns out that, to a remarkable extent, individuals are responsible for their own health and well-being. It may well be that the difficulty researchers have had in discovering a correlation between health care received and healthiness is due to the fact that the vast majority of health care goes to those with chronic conditions, for whom individual lifestyle choices cause, and then continue to aggravate, health care problems.

Sometimes market-based approaches to health care are criticized on the grounds that some people are born with genetic diseases for which they cannot possibly be held responsible. In a completely free market insurance industry, for instance, strictly for profit insurance companies would not insure those individuals at a high genetic risk for costly diseases. Because such individuals are not responsible for their own diseases, it makes sense to have some altruistic organization pay for the health care of such individuals (although it would be much, much better for the cause of innovation in health care if the altruistic organizations were socially responsible corporations or not-for-profit entities). And the science of genetics is rapidly clarifying the extent to which various diseases have a genetic component.

But how are we to address the issue of those people who create very large health care costs for themselves by means of lifestyle choices? In some cases, of course, a lack of information may be a problem. In which case, entrepreneurial altruists can disseminate the necessary health information (which takes place today). But I have seen a pregnant woman be advised by a doctor not to smoke while pregnant, and then deliberately light up a cigarette as soon as the doctor leaves. Of course, if personal responsibility is an illusion, then none of us is responsible for anything that we do.

We do not have to go to the extremes of Louise Hay (who believes that diseases, including AIDS and cancer, are the result of mental patterns which one can deliberately change so that one becomes healthy) to believe that there is an element of personal

responsibility in health. Just as accepting responsibility is necessary for spiritual and personal growth, and just as taking the first step towards self-reliance is a necessary precondition for a life of flow, so, too, accepting some measure of personal responsibility is necessary for effective health care.

It is tragic that many of the marginalized are self-destructive, either by means of high-risk behaviors or by means of long-term carelessness about personal habits. But a system that fails to differentiate between those who take initiative to make their lives better and those who do not ends up spending an increasing amount on the dependent and the self-destructive. Helping someone who refuses to help themselves, in the end, helps no one. Resources, including altruistic time and effort, which could be used to benefit the world in some other way are squandered if someone refuses to take some first step towards taking responsibility for their own well-being.

Entrepreneurial solutions to the health care of the most marginalized should therefore focus on finding ways to differentiate between those who are willing to take some personal responsibility from those who are not. Again, because self-discipline and healthy habits are the core issue in 75% of health care costs (the most prevalent, costly, and preventable of all health care costs), voluntary participation in something like the highly disciplined Vipassana meditation retreat might be an appropriate pre-requisite for receiving additional care. If we want to reduce the number of individuals who are marginalized in our society we need to focus on effective efforts of uplift. We must not encourage and subsidize bad habits – that route will result in an endless morass of additional dependency, depression, and degradation.

Americans of from every income group who indulge in poor health habits, and then absorb resources for caring for health conditions that could have been prevented, collectively take over \$1 trillion out of the world economy that could be used for other purposes. A trillion dollars could go a very long ways towards education, the environment, high-impact health interventions among the global poor, and other good causes. We should support a move towards innovative health policies such as that offered by WFM and insurance policies that discriminate based on habits. Just as insurance policies for smokers are higher than for non-smokers, if insurance companies were allowed to practice price discrimination based on habits, we would find enormous rewards for preventative medicine in terms of lower premiums. The notion that everyone deserves “the same health care” at the same cost will permanently institute a system in which those with good health habits and will subsidize those with bad health habits. There is nothing idealistic about a world in which a trillion now, and soon many trillions of dollars, are allocated to paying for the costs of preventable health problems.

We have spent some time on this issue because often idealists in the past have avoided the more difficult aspects of issues. The issue of what to do about those who do not help themselves is arguably the most difficult issue of all for those who are inclined to optimism and idealism. It is often hard for us to believe that some people cannot share our positivity and desire for uplift. In the past we have therefore often forced our solutions on them, or forced others to pay for helping the marginalized. But the principle

of initiative is crucial. We must create circumstances in which that first step, that first bit of initiative, is tiny, and yet we also must insist that initiative on the part of those whom we would help take place. We must relinquish our terrible propensity to force others and believe that we are doing good by means of force.

In order to make health care affordable and good, we will want to reduce those regulations that limit access to health care and increase costs. Although professional organizations, such as the AMA, may well serve a positive role in terms of maintaining professional standards, there is no reason to maintain their legally-enforced monopoly over providing medical services. The cost of medical services is an outrage by any standard; for those who are eager to pay establishment medical costs, they may continue to do so. But entrepreneurially-oriented health educators could create health education that provided adequate (and, over time, superior) medical training for a tiny fraction of the cost of that currently being spent on medical training. If many more people received higher quality medical training, and more diverse and innovative types of medical training, gradually we would evolve towards a much more effective system of health.

Although there is innovation in health care today (indeed, many observers believe that the relatively freer market in U.S. health care in effect subsidizes the socialized health care systems of much of the world), the innovations are limited to those highly-profitable areas in which the enormous investments in drug research or medical device design can compensate for the extraordinary cost of getting new innovations approved by the FDA.

Although it has become routine to attack the “greedy drug companies,” if we want to be realistic about making the world a better place we can’t substitute angry epithets for effective approaches. If we want a world in which the dazzling power of ubiquitous creativity, in every interaction of every institution at every level constantly improves human life, we need to allow for considerably more freedom than exists at present.

In the world of software, many thousands of brilliant, independent programmers and entrepreneurs, in competition with many thousands of dynamic, innovative existing companies, have created a world in which the best new, new thing is being recreated moment-by-moment in many aspects of the world of software. If one reads *Popular Science*, one finds dozens of amazing new devices being showcased each month.

Why isn’t medical education subject to a similar process of dynamism and cost reduction? Why isn’t the entire medical profession subject to a similar process?

Deregulation of health care would allow entrepreneurs of well-being to create significantly more effective health care at significantly lower cost just as they have done in every other field in which they’ve been allowed to operate.

Indeed, with sufficient freedom, there would be organizations that “sold” health rather than health care (just as traditional Chinese doctors once did, where one paid them only during the months in which one was well).²¹ What advocates of preventative medicine

²¹ Robin Hanson, “Buy Health, Not Health Care,” *Cato Journal*, <http://hanson.gmu.edu/buyhealth.html>.

don't realize is that our existing institutions encourage a costly "drugs and surgery" approach after the fact. With the exception of partial solutions such as the WFM health care plan, for the most part our society pays exclusively for costly interventions but not for preventative care. In order to create effective, affordable, and good solutions to health care quality and cost issues for the marginalized we will gradually need to liberate health entrepreneurs so that they can create new and better systems focused on prevention rather than disease.

Indeed, this focus on prevention rather than disease brings us directly to the next section, creating happiness and well-being for all.