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The Social Benefits of Making Money **by Sheldon Richman**

The critics of the free market ought to listen to themselves once in a while. They might learn something.

A standard charge against market-oriented societies is that they are corrupted by profit. Businessmen only want to make money. Profits come before people. At the same time, the market's critics blame business for wasting resources and neglecting people's needs.

These claims are inconsistent. If businessmen really want to make money, they will neither waste resources nor neglect people's needs, because economizing and catering to customers is how you make money in the marketplace.

Profit is what is left over after an entrepreneur pays all his expenses, including his own implicit wages for his toil. It is the reward for assembling land, labor, machines, and raw materials, and using them to make things people value. Obviously, an entrepreneur wants to minimize expenses by using no more resources than necessary to produce what people want to buy. At a given market price for a product, the lower the costs, the higher the profit. Why use two barrels of oil to make something, if you can make it using just one?

Why don't the people who worry about depletion of resources give the market credit for this virtue? (By the way, we aren't running out of resources.)

The answer is that ideological environmentalists don't understand economics, and, further, they despise the marketplace because it embodies the freedom to pursue self-interest and make money. They find that morally repugnant. But there is nothing repugnant about pursuing self-interest, and what could be wrong with making money by producing things that people value? When will the critics learn that one gets wealthy in the market only by raising people's living standards?

But businessmen are greedy, aren't they? "Greedy" is one of those words that is applied to others but never to oneself. What does it mean? It's hard to tell because it is used to describe a range of conduct, ethical and unethical. Luckily, we don't have to sort this out. All we need to know is that the desire to make high profits long-term induces business people to use resources

wisely and to deal with others honestly. Squandering resources and cheating customers are business strategies that are sooner or later punished by the marketplace.

Before anyone dismisses this as “just theory,” I will point out that history provides abundant examples of these principles. John D. Rockefeller squeezed every bit of value he could out of a barrel of oil not because he was ecologically concerned about future generations, but because he was cheap and hated waste. Beginning in the 19th century, factory owners routinely sold their waste byproducts to other businessmen who found valuable uses for what otherwise would have been refuse. Why did they do it? To make money. Nothing sparks imagination like the possibility of profit. As an unintended consequence, we all prosper.

Even air pollution presents profit opportunities. That’s potential wealth going up the smokestack. Whoever can find a way to capture that lost energy or unused material stands to reap large profits. Of course, if someone can pollute and not bear the expense, he might do it. So the law must protect property rights from polluters. When it does, those who damage person or property must pay compensation. That principle of justice provides an incentive to minimize pollution by capturing what today is sent into the atmosphere as waste.

The incentives built in to the market raise living standards, minimize waste, and produce a clean environment — just by letting people make money. Not bad for a system that has been condemned throughout history.

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