

## Government Bailouts, Groups and Your Career

By [Harrison Barnes](#)

Recently, something quite interesting has been happening in the American economy. The government has decided to get involved in running various businesses. These businesses include insurance companies, banks, and automotive companies. This is something I'm almost 100% confident is going to be a disaster. In fact, it's already turning into somewhat of a disaster, as far as I'm concerned.

History has shown time and time again, that when a government tries to operate a business, this ultimately fails. It never worked in Russia, for example, and China and India have only started expanding and growing in relation to their ability to run a "hands off" approach to businesses in their countries. The more freedom people in a country have to operate their businesses, the more innovation is likely to occur, and the more businesses are likely to start.

What's needed to start the American economy are people willing to take risks and start and operate businesses. In order to take risks and start businesses, people need to have the prospect of large rewards. There is no reason to start various businesses unless there's a prospect of substantial reward.

First, I don't think the government has any business being involved in business to begin with. The idea that the government is loaning money to failing auto companies, insurance companies, and others is sheer lunacy. I grew up in Detroit. The American auto companies have been losing market share and failing since the 1970s. I love America and drive an American car, but the point is that it doesn't make sense to put money into a failing industry. America has some of the greatest companies on earth, and many of the largest companies on earth--companies that are expanding. Putting money into something that works seems a heck of a lot more intelligent to me than putting money into something that's contracting and broken. Putting good money after bad is something that stifles innovation and won't lead to the sorts of changes needed in the American automobile industry. If the auto companies were allowed to fail (and they should now), then someone would be able to come along and purchase their assets very cheaply. They could start a new auto company with a lower cost or labor structure perhaps. They could innovate in other ways to keep the costs down and profits up. More money would likely end up going into the American economy over the long run. Instead, we are putting money into something which has been slowly failing for over 30 years.

Second, the government has no role legislating our paychecks. Limiting people's ability to make a certain amount of money is something that will serve to undermine industries in an incredible way. Businesses operate with a set of incentives and rewards. People go to work in various businesses due to the salaries they receive and the potential rewards they can receive in terms of bonuses. In addition, businesses also take various risks and make various investments in the hopes of getting large windfall rewards. For example, if a company invests \$1,000,000 in something that's unproven, it hopes to get a reward that may be twice that. This is just how it works and it has always worked this way. In order to attract the sorts of executives that will take the risks and see the opportunities out there that will turn \$1,000,000 into \$2,000,000, a company will need to incentivize them with various potential bonuses and rewards. The best executives will almost always go where they believe they can make the biggest impact out there and create the most opportunities for themselves.

One of the strangest things the government is doing now is providing a tax on bonuses of 90% on people earning more than \$250,000 a year who receive government bailout funds. This is just going to force the best people to not go to work for these companies. It's as if the government is investing money in companies that won't be able to have the best people working for them. Due to this, these companies are likely to do poorly.

Several years ago, I was taking a sales class from a man who had recently started a school to teach other people how to be salespeople. In the class, day after day, the man told one story or another about what an incredible [salesman](#) he was and gave multiple examples to the class about how much of this and that he had sold. The man was pretty well known and incredibly good at sales. After a career in sales in which he had made millions of dollars selling everything from real estate to jewelry, the man decided to start a sales school. He had a lot to teach, and his material was very, very good.

One of the strangest things about the school; however, was that the man who was in charge of the school never once tried to sell the product he was [selling](#) (sales training) to the public. He never answered the phones in the school, and never had anything to do with selling the product. The only people who were allowed to sell the product in the school were the salespeople in charge of selling the sales school.

The sales class I was in was pretty small. There were no more than 10 students in the class. The class cost a couple of thousand dollars, and after several sessions, started to feel this salesman was selling himself short. I remembered when I had called the school the people who answered the phone had been very poor at selling me on the [sales school](#). It was only due to my knowledge of this particular man that I had taken the classes. It occurred to me that if the salesman's salespeople had been more effective, he could have sold numerous people on the school when they called. It didn't make sense to me that I was taking a class with someone who was such a great salesperson, who was not out there selling his own product.

One day after class, I decided to stay late and speak with the salesman about his operation.

"If you were in charge of selling your own product, you would likely have 100+ people in this class. You are a much better salesperson than the people you are employing to sell this for you. Why aren't you selling the product yourself?" I asked.

The man looked at me and smiled. He seemed very happy that I was asking this particular question. He looked up at me and his answer was very simple.

"Because if I sold my own sales school the people who worked for me would very quickly feel undermined and quit. Also, my company would never grow if I sold my own product. No matter how well I sold the product, I would always be extremely limited if I sold this myself."

This was something I forgot about until just recently. The lesson is that an organization can only function and grow when there is freedom of movement among the people in it. In effect, when there are groups within the organization that are allowed to function independently of oversight, the business grows. When you see small local businesses, you will generally find an entrepreneur or other business operator who is intimately involved with all aspects of the operation and doing most functions. He may be assisting with [accounting](#), filling in with various sales functions, and more. In such a situation, the business can never really grow and reach its full potential. A business will only reach its full potential when it's allowed to operate independently of one individual or one power.

The mistakes the government is making with the economy and American business at the moment are quite relevant to your career, as well. You need to be working in organizations and with groups where there is a freedom of movement and where both you and the company can expand. The more constraints there are in your movement, and the more a company is managed by one individual, or one organization, the more problems there are likely to be, and the more likely you are to eventually be out of a job. It makes no sense to participate in organizations where the organization and your growth is constrained by outside forces. Organizations need multiple independent groups to survive.

### **THE LESSON**

In business, innovation comes from the freedom to operate. Stagnation and failure result when a government attempts to legislate business. Limiting people's ability to make a certain amount of money undermines business in an incredible way. Similarly, you need to associate with businesses and groups where freedom of movement will allow both you and the company to expand. When you have more constraints placed on your movement, you face greater problems and eventually the loss of your job.

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