



Overcoming Hamilton's Curse

Specific Solutions that Only Entrepreneurs Can Provide

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About The Center for Social Leadership

The Center for Social Leadership (CSL) is a think tank and action organization dedicated to building [social leaders](#) for the 21st Century.

Humanity is experiencing dramatic changes. Traditional leadership is broken. Conventional human organization based on hierarchies and formal authority is outdated. Technology has transformed the way we interact and enhanced our ability to have impact—for good or ill. The Center for Social Leadership was formed to steer these changes to improve the health of society, preserve freedom, and ensure peace and prosperity for humanity. A new vision of leadership is needed. Not the old, hierarchical, positional, authoritative, privileged-elite leadership, but a new democratic, action-determined, service-oriented leadership. Through this social leadership mankind can achieve unprecedented happiness and fulfillment.

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“It’s not about someone doing everything. It’s about everyone doing something.”



When America decided to follow Alexander Hamilton's economic model instead of the Jeffersonian system, a number of changes occurred which now haunt our generation. Jefferson envisioned a nation of [small farm and shop owners that spread around leadership and prosperity](#), while Hamilton preferred a mercantile system with a few wealthy owners employing the large majority of the populace.



Hamilton felt that an increase in wealth among the leading families would make up for the reduced freedom and less-widespread prosperity under a mercantile economy. After all, this was the model used by the most powerful nations in Europe.

Ironically, we have now reached a point where the greatest challenges we face are caused by the mercantile system and can likely only be solved by an entrepreneurial mindset. Funny how history pulls these types of pranks.

Failed Solutions

Unfortunately, the two main sides emphasize government solutions (more government-provided jobs and stricter regulation against corporations and bonuses) *versus* big-business mercantilism (hire and fire as best fits company projections, and move operations abroad to less hostile regulatory environments with cheaper labor—or in other words, business as usual). A third view comes from [frustrated populists](#) who want Washington to get its act together and fix the

economy.

All three of these views miss the point. Wall Street, Washington, and Main Street still seek Hamiltonian solutions: "[Big institutions should fix things for us.](#)" The specific challenges we face, however, don't lend themselves to institutional fixes. Our current problems need precisely entrepreneurial-type solutions. This isn't the old debate of whether public or private programs are best. The truth is, that debate nearly always promoted institutional fixes. What we need now are patently non-institutional innovations.

Major Challenges

Consider the major problems we are facing. Most are the natural results of too much reliance on institutional size and power and not enough initiative, innovation, and leadership from "little guys." Of course, the few who are entrepreneurs do an amazing job against increasing odds. But a major shift to the [Producer Mindset](#) is needed to overcome our current challenges—and more such challenges will continue to arise as long as we stay addicted to big institutions.

Specifically, the major concerns we're facing in the years and decades ahead include the following:

- Running out of money for social security and many other entitlements.
- The flight of many in the entrepreneurial class to Brazil, India and other places with less regulation of small business.

- The wartime economy of China that is built to thrive in times of conflict (and struggles in times of peace).
- The end of privacy as government is pressured to oversee everyone and all things in the name of security and protection from terrorism.
- The end of America's production base as industry continues to go abroad and we continue to train the world's attorneys instead of more engineers and inventors.
- The growing [gap between rich and poor](#) in the U.S. and globally.



Also consider the following items that will peak and commence declining in the years immediately ahead, as outlined in the book [*Peak Everything: Waking Up to a Century of Declines*](#) by energy expert Richard Heinburg:

- Oil availability and cheap fossil fuels to drive the economy
- Fresh water availability per capita
- Easy, cheap, quick mobility
- Available land in agricultural production
- Political stability
- Safe, inexpensive food

Only one of these looming challenges (security against possible Chinese aggression) can be effectively solved directly by government as it is now constituted. And even this could be beyond the government's scope if attacks are not military but cyberwar¹ on, say, America's financial records or utility providers.²

A truly free government emphasizing a [free enterprise economy](#) would help against all of these, by empowering entrepreneurial action, wealth, and innovation to meet each challenge.

Heinburg's solution to these problems is "fifty million farmers," which he describes as a drastic increase in the number of small farmers. Such people, Jefferson predicted long ago, own their own land and [bring initiative and tenacity to producing food and also free citizens](#).

While the problems we face are clearly greater than a mere shift to [locavorism](#) will remedy, the heart and mind of the [citizen farmer](#) is a good start. In addition to farmers, we need millions of producers of all kinds applying entrepreneurial talents and skills to overcoming our biggest challenges.

Habits & Complexes

There are at least two major roadblocks hindering this needed Freedom Shift. [The first is habit](#). Our society has become habituated, at times addicted, to certain lifestyles. For example, when the recession hit, people spent more money, not less, at McDonald's. We are habituated to eating out, and tightening our belts in hard times has come to include eating

even more french fries.

Perhaps our most debilitating rut as a culture is a [dependence on experts](#). Until we kick this dependency, how can we rise above the statistics and become a nation of [entrepreneurs and leaders](#)? The answer, as challenging as it is, is for entrepreneurs to show us the way, and to keep at it until more of us start to heed.



The second huge roadblock is our complexity. Indeed, we have reached a level of complexity where simplicity itself is suspect. For example, the simple reality is that jobs migrate to less difficult nations. It's the old [Rule of Capital](#): Capital goes where it is treated well.

In nations that have become too complex, taxes and regulation cause at least a doubling of the amount employers must spend on labor. Many experts call this "progress," but the natural result is that many companies respond by sending their operations and jobs to less costly nations.

When this happens, complex nations react in an amazing way: They villainize the companies ("greedy profiteers") rather than reducing taxes and regulations to entice companies back home. Then they take an incredible extra step: They increase taxes and regulations even more on the businesses that stayed! The result? More money flees and recession

inevitably comes.

At this point, when the need is obviously to lure businesses, capital, and jobs back home with decreased regulation and taxes, nations that are too complex actually compound the negative situation as angry workers cry out for more regulations and controls. Freedom, prosperity and stability all suffer.

As [Ken Kurson](#) put it, “Our bipartisan addiction to spending and borrowing pairs with a hostility toward employers that makes real recovery difficult.”³ Or, as the Governor of Minnesota said: “I was talkin’ to people this morning who run small businesses. Where’s *their* bailout?”⁴

People who point out how ridiculous this is are often labeled extremists or radicals. Simple answers aren’t often very popular in complex nations. Sadly, only major crisis is usually enough to get people to listen to simple solutions.

Poor Complexion

Another example is found in the issue of [health care](#). Health care costs consistently increase where voluminous regulations along with medical lawsuits cause huge malpractice insurance costs. When government seeks to regulate and force the costs down, it must find a way to reduce litigation and payouts.

But in complex society, people want to have their cake and eat it too. They want health care to cost less and also to leave

doctors and insurance companies paying for incredibly expensive lawsuits. *How is it possible to get both?* “The government should make it so,” is the answer of a complex society. *But how?* “The government should just [fix it.](#)”

This amazingly naïve view of things is the result of complexity. Far too many citizens don’t even expect to be able to understand the issue, so they leave it to the experts. And once all is in the hands of experts, they are expected to solve everything without any pain or problem to the populace. After all, they’re the experts, right?

Those who benefit most from the costs of lower health care either need to forego the threat of so many lawsuits or be willing to pay higher prices. But such simple answers don’t convince in complex societies.

One more example is interesting. Hamilton argued in [*The Federalist Papers*](#) that for society to be free the legal code would need to be long, detailed and difficult to understand. He based this on the systems in Europe at the time. But these were the very systems the founders fought to abandon.

In contrast, Jefferson, Madison and many others taught that complex laws and legal codes were sure signs of oppression. They agreed with Montesquieu, Locke and Hume and that laws must be simple, concise and brief, and indeed that the entire legal code must be simple enough that every citizen knows the entire law. If a person doesn’t know the law, they argued, he shouldn’t be held liable for breaking it or freedom is greatly reduced.

In complex society, most attorneys don’t even know the whole law.

The Right Level of Complexity

The main criticism of simple societies is that they are often intolerant, controlling, and narrow-minded. This is an accurate and good criticism, and such simple societies are not the ideal. Indeed, Madison shows the negatives of such societies in Federalist Papers eighteen through twenty. He proposes that by establishing a large nation and a free constitution we can simultaneously establish both an open, modern, and progressive society and a free, prosperous, and happy nation.

Fortunately, we are not forced to choose between a stupidly simple nation and an overly complex one. The ideal is a nation sufficiently complex to promote progress, toleration, cooperation, and growth and one with enough simple common sense to achieve freedom, prosperity, and opportunity. This is the traditional entrepreneurial mix.

Whereas mercantilism values a few cosmopolitan elites employing a mass of less urbane managers and workers, in contrast the entrepreneurial challenge has always been to balance complex and intricate details with simple and effective systems and results.

In short, we need more entrepreneurs running more small, medium and large institutions in society.



Lifestyles of the Rich & Famous

The success of the next few decades will depend on certain types of people with certain skills and abilities. The talents and habits of “The Company Man” came into vogue in the 1950s and helped create a society of professionals, experts and officials. This greatly benefited the final half-decade (1955-2005) of the Industrial Age surge.

But as the Information Age moved past infancy (1964-1991) and began its rebellious growth to adulthood (1992-2008), many became aware that change was ahead. As the Information Age grasps maturity and takes over in the 2010s and 2020s, major alterations in society are inevitable.

The Company Man is now replaced by what [David Brooks](#) called [Patio Man](#): Individualists who want personal freedom, enough income to pay the bills plus some extra spending money, a government that provides national security and keeps jobs plentiful, a nice house, a nice car each for him and her, a grill, a good movie tonight and friends over for the big game on Sunday. At first, this was paid for by one working parent, then by both.

But unless something changes, this lifestyle is at an end for all but the wealthiest tenth of the population.

The thing which facilitated such a lifestyle in the first place was the prosperity generated by entrepreneurship, and the only thing that can maintain such a lifestyle and still pay off our society’s debts and obligations is a drastic increase in the number of entrepreneurs. Period.

Specific Entrepreneurial Challenges

Let's get specific. Either a generation of entrepreneurs will arise or this lifestyle will end. Very soon, the following must occur:

1. Entrepreneurs must figure out how to cover their own retirement and that of their employees and many others so that when we run out of money for social security and other entitlements it just won't matter.
2. Entrepreneurs must figure out how to compete with the [entrepreneurial classes of Brazil, India, and other places with less regulation of small business.](#)
3. Entrepreneurs must figure out how to rebuild a strong American industrial base to provide the basic foundational economic strengths of society.
4. Entrepreneurs must figure out how to replace an oil-driven economy with cheaper and hopefully better and cleaner energy alternatives.
5. Entrepreneurs must figure out how to provide inexpensive and quality fresh water, food, and mobility without cheap oil.

Researchers, experts, professionals, employees and governments do not have the ability to make these things happen. They will be needed to help accomplish these vital needs, but ultimately it will require the skills of entrepreneurs. These types of changes are the arena of entrepreneurial talents and free enterprise innovations, not of legislative discussions,

bureaucratic rules, or expert publications.

Legislatures, bureaucrats, and experts are important to society and are good at certain things, but initiative, innovation, taking major risks, and tenacious ingenuity are not their forte. As significant as these challenges are, we need the best of the best solving them.



If entrepreneurs accomplish the goals listed above, we will naturally see increased political stability, a well-funded government that can protect against Chinese or other international aggression, and a narrowing gap between the rich and poor.

It will also take a widespread entrepreneurial mindset to figure out how to effectively thwart terrorism without turning the government into a secretive surveillance state, and also help the nation evolve into a less litigious and more productive society. Government cannot wisely do either of these projects, since it is a central party to both. And big corporations also have a conflict of interest; they would naturally use both projects to increase their own power at the cost of freedom. Entrepreneurs are more suited to succeed in these projects than any other group, and to then share their views with the citizenry.

The most critical problems we now face are also our greatest opportunities. We need more entrepreneurs, and we need entrepreneurs who engage more in [social leadership](#). Our future now, more than at any time

since the founding and pioneering eras, [depends on producers](#). Hamilton's ideas contributed much to American growth, but it is time for a renewal of the Jeffersonian spirit of independence and initiative—in all of us.

Sources:

1. From the article entitled, "Good for Some" in the 2/13/10 issue of The Economist: "*In January Google suffered a serious attack on its infrastructure, originating in China. On February 2nd Dennis Blair, the White House director of national intelligence, went to a Senate committee to give an annual threat assessment. He used it to give a warning of a large and far-reaching threat. Sophisticated cyber-criminals are stealing sensitive government information every day, Mr. Blair explained, and state agencies often find shadowy presences on their networks—‘the hallmark of an unknown adversary intending to do far more than merely demonstrate skill or mock a vulnerability.’ An overarching concern is that in a time of crisis network infrastructure might be seriously compromised.*"
2. See James Fallows, "Cyber Warriors," *The Atlantic*, March 2010. See Israel on its Internet Fighting Team in Harper's Index, *Harpers Magazine*, November 2009.
3. Ken Kurson, "A Hedge Fund for Little Guys," *Esquire*, March 2010.
4. Governor Tim Pawlenty, quoted by Mark Warren in "The Dark Horse," *Esquire*, March 2010.

About the Author



Oliver DeMille is the founder and former president of [George Wythe University](#), a founding partner of [The Center for Social Leadership](#), and the author of [*A Thomas Jefferson Education*](#). Presently, he serves as a mentor directing graduate and doctoral programs and devotes a majority of his time to writing. Oliver is a popular keynote speaker, writer and business consultant. He is married to the former Rachel Pinegar. They have eight children.

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