The Soul of an Entrepreneur: Work and Life Beyond the Startup Myth

(David Sax)

September 22, 2020

The "why" of entrepreneurship varies by entrepreneur. My core "why" is money. I want, and have always wanted, money, for what money can do. Whether that is avarice, or wisdom, or both, we can discuss another day. No surprise, in the 1980s song by The Nails, "88 Lines About 44 Women," one of the couplets has always resonated with me: "Kathleen's point of view was this / Take whatever you can grab." Along similar lines, when asked what the mission statement of my company is, I like to respond, entirely accurately and completely, "To put sweet cash in the pocket of Charles." I am consistent, at least.

Money is a core part of any business venture, if for no other reason than if you are losing money, you will eventually be out of business. But beyond staying a going concern, different drives lie behind different entrepreneurs, and avarice is only one. David Sax, Canadian author of popular works on various social phenomena, in *The Soul of an Entrepreneur* does a good job of exploring the "why" of entrepreneurship, mainly through telling, and commenting on, the stories of several different entrepreneurs. As I discussed in connection with Daymond John's *Rise and Grind,* entrepreneurship is not for most people. But who should be an entrepreneur is not my focus today. Rather, today I will combine my thoughts about entrepreneurship with Sax's, in the hopes of adding value to the reader.

Sax sketches, through his stories, several different "whys." Sometimes entrepreneurs are starting over, as in the example of a Syrian immigrant family opening a restaurant in Toronto, having lost holdings in the Middle East, and needing to make a living. In Sax's interpretation, such people are looking for a fresh start, not just a way to make a living. Others are looking for "lifestyle businesses"—as in the example of a woman who runs a bakery in Rockaway Beach, the flexibility of which allows her to surf frequently. I had no idea one could surf in New York, nor did I know that one could smoke weed constantly, as this woman does, and still function—but then, by definition, a lifestyle entrepreneur doesn't have to do everything that could be done, just enough to support the lifestyle, which involves buying a lot of weed, apparently. Still others want to "give back" (an odious term), or continue a family legacy, or accomplish something that satisfies an internal drive. All these appear in Sax's book.

Before he discusses his case studies, though, Sax makes the key point that most people are today served a distorted view of what an entrepreneur is. From the media, we absorb that entrepreneurs are young, tech-oriented, funded by venture capital, obsessed with rapid growth, and aspiring monopolists. Everyone else isn't a real entrepreneur. Which raises the question—what is an entrepreneur? The author cites the eighteenth-century economist Richard Cantillon, who defined entrepreneur as a man of business who bore a personal financial risk and received uncertain returns—in other words, receiving no fixed wages, and facing the possibility of ruin. This strikes me as exactly right, and something most people who see successful entrepreneurs fail to appreciate—that ruin is very real for most entrepreneurs, because usually to get started they take on liabilities far exceeding assets. Thus if the business fails, it's not that they just get a job like everyone else—they either declare bankruptcy, or they are crushed by debts for years, and they certainly aren't able to raise money for another try.

This is little known, or little acknowledged, though certainly acknowledged by Sax. In part this is because stories about bankrupt entrepreneurs are rare—they're not sexy, so don't appear in the media, and failed entrepreneurs themselves are unlikely to broadcast their failure. In part this is because the failures we do see are Silicon Valley failures, but in truth very few, if any, of the so-called entrepreneurs in Silicon Valley are actually entrepreneurs in Cantillon's definition. They face no downside risk, much less ruin. Capital is provided by other people, and loans are not personally guaranteed. If a business fails, the founders simply get excellent regular jobs, free of any past liabilities, or start another entrepreneurial venture with other people's money. But only a tiny slice of "entrepreneurs" have this path available to them. Hence what we are fed is an "entrepreneurial myth."

Such pseudo-entrepreneurs get glowing media coverage, though, "entrepreneur porn," as Sax calls it, exemplified by often-covered successes such as Steve Jobs and Elon Musk (or once-apparent successes, such as Elizabeth Holmes), but those are only the brightest stars among many. Looking at the starting end, the pipeline that leads to the next Jobs or Musk (or Holmes), Sax follows two Stanford students who, like many Stanford students, were starting a business while they are in school. They created an internship-matching platform named Scheme; it has since failed (after this book was sent to press), and the two founders are now employed by Lotus and Goldman Sachs. They are embodiments of the entrepreneurial myth. What is more, Sax shows that it's obvious to the Stanford students themselves it's a myth. That's the most interesting thing, the feeling that much of this is a consensual collective delusion among the dominant classes in America.

Part of the reason for this delusion is that everywhere across the United States, academics, whose pronouncements are foolishly treated as those of archimandrites by our ruling classes, purport to teach entrepreneurship. Such "teaching" has always struck me as bizarrely stupid. Entrepreneurship, like leadership, cannot be taught (although a few neglected yet teachable skills are of great value to entrepreneurs, most of all financial bookkeeping—but that's not what those who teach entrepreneurship teach about). Sax talks to numerous academics (none of whom, of course, are successful entrepreneurs themselves), showing how entrepreneurship "education" focuses on that tiny percentage of companies fitting the myth.

When this is pointed out to academics, they respond that Silicon Valley-type companies are the only companies that matter. That may actually be true at Stanford, where professors often take a piece of their students' companies, in exchange for advice and, perhaps more importantly, introductions to connections. But it's not true overall, yet all these academics reject that someone who runs "a boring box factory" is an entrepreneur, or relevant to the advancement of our society. As someone who has made a great deal of money from a "boring bottle factory," I beg to differ. True, my view is a creature of own experience, a capital intensive manufacturing business which I started with my entire life savings of $70,000, knowing nothing about the business and making it up as I went along. If I had failed miserably, I might still regard Silicon Valley as the main viable entrepreneurial model, and be awed by the glittering media coverage. I just know better from experience.

Which raises the question—when does a business create value and advance society? Sax criticizes Silicon Valley "entrepreneurship" for ignoring actual value creation as a metric, rather spending a lot of time fundraising, and measuring success by money raised, and then by money received on exit. He seems agnostic if Silicon Valley companies do create value. As I have discussed before in connection with the calculation of GDP, I am fascinated by what creates value, and what does not. Being unprofitable, of itself, does not show that a business is not creating value. Sax notes, while criticizing academic emphasis on such businesses, that "of the dozen top unicorns (companies valued over $1 billion) expected to go public in 2019, just one was profitable. Not Uber or Lyft, WeWork, Spotify, Snap, or Dropbox." The academics call these, and many others similar that hope to become like them, "high potential businesses." This is accurate, up to a point—the point at which it become obvious whether there is really potential.

All these companies, which we can call "Silicon Valley-type startups," or SVT's, produce new goods and services, so unlike the financial industry, which is the classic example of a nearly wholly parasitical industry, there does not, at first glance, appear to be a problem. After all, people will pay for what is offered by the SVTs. Just because Uber loses money does not mean it is a stupid business; it is quite convenient for its users, after all. That it has no obvious path to making money does imply it may be a stupid business, as does the company's occasional suggestion that they will make money when self-driving cars arrive (that is, never). But you never know how a business will develop, and Uber is paying its bills so far. Dropbox and Spotify seem to provide a reasonable service—I can't tell why they don't make money, but they do provide value. Somewhat different are the companies where the user does not pay and is himself the product, such as Facebook and Snap, or Twitter. But perhaps people would pay for those, if that was presented as an alternative model—pretty clearly people feel those services have value, because they choose to spend a lot of time using them.

This positive-leaning sketch ignores several important truths, though. First, just because people will pay money for something does not mean that it has societal value; we may choose to forbid it because we do not approve, and that principle should not be limited to products or services that harm others. Second, most SVTs primarily benefit our dreadful professional-managerial elite, most of whom obtain their money from working BS jobs, spending it on SVT goods and services, while the SVTs grind down and atomize the working class. That's not a great setup. Third, these companies often impose costly negative externalities on society that offset any value produced. Frequently, those externalities are imposed on those who would never dream of using the services of these companies. Many times those externalities are hard to analyze—for example, it seems like Uber harms cab drivers, but the reality is that until Uber came along, most money in the taxi industry was made by politically-connected wealthy people who monopolized taxi licenses, not the drivers, who may be happier as Uber drivers. Something like Dropbox has no obvious negative externalities; nor does Spotify. WeWork, though a stupid business, as has been exposed, didn't create harm; it just wasted its investors' money. Social media companies, on the other hand, impose huge externalities, mostly hard-to-quantify erosion of social bonds. And the one negative externality common to all SVTs seems to be the imbecility imposed on America by woke capital, in which all SVTs are leading participants. Massive direct contributions, in money and in kind, by all these companies to evil organizations such as Black Lives Matter (and many other racist grifter ethnonarcissists) and Planned Parenthood are hugely destructive of our society. So perhaps SVTs are often net negative value providers. But that has little to do with the nature of the entrepreneurship behind them.

The real problem with SVTs is the problem Tim Wu covers so well in *The Curse of Bigness*—excessive concentrations of economic power are detrimental to a functioning republic, or, really, to any functioning government that is even remotely responsible to the people as a whole. Thus, because of their nature, they should be hobbled in direct proportion to their power, the more so the more monopolistic. The precise mechanics of that hobbling should vary by company. Platforms that are common carriers for speech, such as Facebook and Twitter, should be forced to never hinder any speech the government itself could not hinder. Amazon should simply be broken up—any convenience benefit Amazon adds is exceeded by the destruction it causes. Dropbox and Spotify can probably be ignored. Again, though, the problems SVTs create are not due to the nature of how they were originally formed.

Anyway, after hazing Silicon Valley, Sax provides statistics that show real entrepreneurship has declined in recent decades. One in ten Americans works for himself; thirty years ago, it was two in ten.

Millennials are "the demographic least likely to start a business and work for themselves in a hundred years." Almost every industry has far fewer startups than it used to. I suspect this is part of why social mobility has declined in the United States. But why has entrepreneurship declined? Sax never answers why, though he nods very obliquely to regulation, which, along with predatory lawyers, is probably most of the answer. In large part, he confines himself to exploring entrepreneurs outside those trying to be the next SVT, focusing on why they do what they do. And, of course, he wrote before the Wuhan Plague, or rather the stupid, hysterical overreaction to it, destroyed millions of American small entrepreneurs and handed massive economic power to giant corporations such as Amazon, exacerbating the problems caused by the SVTs. So however bad the problem a year ago, it's worse now.

In any case, the meat of the book is Sax profiling a range of entrepreneurs, from a wine-making family in Argentina to a man in California raising grass-fed beef. They are all very different, and different in their motivations, but what binds them all together is that they are real entrepreneurs, in Cantillon's definition. Most have no expectation or hope of getting rich. Some enjoy the lifestyle—though it is important to distinguish true lifestyle businesses, which offer "work-life balance," from businesses where the work itself is the lifestyle, and there is little life outside work. Raising cattle, for example, is risky and requires work around the clock, but those who do it enjoy the lifestyle—most of the time.

All these entrepreneurs ride what both Sax and my wife call "the roller coaster." Sax does not focus on it, but no business can be successful if the entrepreneur is not obsessively focused on the business, where it becomes the backdrop of all his waking thoughts, and that correlates to up and down moods as business matters change. The Rockaway Beach bakery, for example, seems like a true lifestyle business—it is open by definition part-time, selling goods people expect to buy in the morning, leaving the afternoons free. And even so, its owner has to get up very early every morning, while others sleep. Beyond that, though, I suspect she thinks a great deal about the business, all day long—if she did not, it would go off the rails. It's impossible for an entrepreneur to compartmentalize the business in his mind; if he does, the business will fail, no matter his "why."

Sax does not draw grand conclusions, other than that the SVTs are a delusional form of entrepreneurship, inapplicable to most real entrepreneurs. Still, his book is an interesting read for any entrepreneur. Sax does make occasional errors, not surprising given the breadth of businesses he talks about. For example, it is not true that selling to an ESOP, creating an employee-owned company, is necessarily a generous act by an entrepreneur, in which he sells below market price. In fact, it is often a vehicle to inflate the price. But most of the author's errors are like this—technical and minor. The only actual annoyance is Sax's political bias, left, that keeps cropping up, which he seems to have felt no need to suppress. Its worst example is in the first story, of Syrian restaurant owners in Toronto, the Alsoufi family, supposed refugees. We are given a tedious lecture about the unique virtue of immigrants, and how we must admit anyone who wants to come to our country for any reason—the Alsoufis are repeatedly stated to have "claimed" refugee status, as if it was something theirs by right, as opposed to something given to them by generous Canadians. And we are then given as an object lesson the terrible happening, when the son, Alaa Alsoufi, "attended a protest during the Canadian election outside a campaign event" for an "anti-immigrant" political party. The family was, we are told, then viciously attacked and the restaurant had to close for a while, because of "Islamophobic racism" (whatever that is). This seemed an overreaction, but what we are not told, but can easily be found online, is that the son did not merely "attend" the protest. He was arrested there for assaulting an eighty-one year-old woman, while clad in masked antifa gear. (He was also charged with theft, intimidation, and a raft of similar offenses, though there is no evidence he was ever actually punished in any way.) It seems entirely appropriate for Canadians to be insulted by supposed refugees repaying their benefactors this way, and in any sensible society, the son would have been dumped naked on the Syrian side of the Turkish border the next day, and no Canadian would ever have entered the restaurant again. Such bigotry from Sax makes the reader wonder what else he may have altered or made up in his book.

Sax claims to be an entrepreneur himself, but he's arguably not, because although as a freelance writer his returns are certainly variable, he doesn't bear a personal financial risk of loss, not having invested anything—though I suppose you could say he has borne opportunity cost. I am, or I was, a real entrepreneur. It saddens me, a little, that I will never be Elon Musk, because I recently sold my company, and have no intention of becoming a serial entrepreneur, and so will never become a billionaire. Some men are driven to try to succeed in business over and over again—not me. I've proven what I needed to prove, and gotten what I needed to get. And anyway, even if I could be, I wouldn't want to be Elon Musk; I like my traditional life and traditional family, and great men of obsessive drive cannot have those. As Rudyard Kipling said, "Down to Gehenna or up to the Throne / He travels fastest who travels alone." But a small part of me is still sad. Regardless, I have more than enough money to do whatever I want for the rest of my life, which hopefully has decades of active time left. Mostly, to cause a lot of trouble for my enemies. And that is something.