



## The Characteristics of American Business

- 1 **I**t is essential to become familiar with two words in order to understand the meaning of *business* to Americans: They are *private* and *profit*. Businesses are directly or indirectly owned and operated by private individuals (or groups of individuals) in order to make a profit. In contrast to these privately owned, for-profit businesses, there are also (1) public, government-owned-and-operated institutions, and (2) nonprofit organizations, such as churches, charities, and educational institutions. These organizations and institutions should not be confused with businesses.

## How Business Competition Reinforces Other Values

- 2 **T**he statement by President Coolidge in the 1920s, "The business of America is business," still points to an important truth today—that business institutions are at the heart of the American way of life. One reason for this is that Americans view business as being more firmly based on the ideal of competition than most other institutions in society. Since competition is seen as the major source of progress and prosperity by most Americans, competitive business institutions have traditionally been respected. Competition is seen not only as a value itself; it is also the means by which other basic American values such as individual freedom, equality of opportunity, and hard work are protected.
- 3 Competition protects the freedom of the individual by ensuring that there is no monopoly of power. In contrast to one all-powerful government, many businesses compete against each other for profits. Theoretically, if one business tries to take unfair advantage of its customers, it will lose to a competing business which treats its customers more fairly. Where many businesses compete for the customers, they cannot afford to give them inferior products or poor service.
- 4 A contrast is often made between business, which is competitive, and government, which is a monopoly. Because business is competitive, many Americans believe that it may be even more supportive of freedom than government, even though government leaders are elected by the people and business leaders are not. Many Americans believe that competition is vitally important in preserving freedom. So closely is competitive business associated with freedom in the minds of most Americans that the term *free enterprise*, rather than the term *capitalism*, is most often used to describe the American business system.
- 5 Competition in business is also believed to strengthen the ideal of equality of opportunity. Americans compare business competition to a race open to all, where success and status go to the swiftest<sup>1</sup> person, regardless of social class. Gaining success and status through competition is often seen as the American alternative to systems where social rank is based on family background. Business is therefore viewed as an expression of the idea of equality of opportunity rather than the aristocratic idea of inherited privilege.
- 6 Business competition is also seen by most Americans as encouraging hard work. If two businesspeople are competing against each other, the one who works harder is

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<sup>1</sup> **swiftest**: the quickest and fastest

likely to win. The one who spends less time and effort is likely to lose. Because businesspeople must continually compete against each other, they must develop the habit of hard work in order not to fail.

- 7 Americans are aware that business institutions often do not live up to the ideals of competition and the support of freedom, equality of opportunity, and hard work. Americans sometimes distrust the motives of businesspeople, believing that they are capable of putting profit before product safety or a cleaner environment. Therefore, most Americans believe businesses need some government regulation, although they may disagree on how much. Even with these flaws,<sup>2</sup> however, most Americans believe that business comes closer than other institutions to encouraging competition and other basic values in daily practice.

## The Dream of Getting Rich

- 8 **T**here is a second reason why business institutions have traditionally received respect in the United States. One aspect of the great American Dream is to rise from poverty or modest wealth to great wealth. In the United States, this has usually been accomplished through successful business careers. All of the great private fortunes in the nation were built by people who were successful in business, many of whom started life with very little. Careers in business still offer the best opportunity for the ambitious individual to become wealthy.

- 9 Alexis de Tocqueville observed the great attractiveness of business careers for Americans as early as the 1830s. He wrote that Americans strongly preferred business to farming because business offered the opportunity to get rich more quickly. Even those who were farmers were possessed with a strong business spirit. They often ran small businesses to add to the money they made from farming. Tocqueville also noticed that American farmers were often more interested in buying and selling land for a profit than in farming it. Thus, even in Tocqueville's day when most Americans were still farmers, the seeds of a business civilization had already been planted.

- 10 Not only is business seen as the easiest way for individuals to become rich, it is also seen as benefiting the entire nation. Through competition, more people gain wealth. By contrast, a government-run system of production and distribution of goods is seen as inferior. It is distrusted because of the monopoly of power held by the government, which eliminates competition. However, there is a great deal of debate about the role of the government in providing services such as health care. The United States is one of the few industrialized countries in the world that does not have universal health care guaranteed and managed by the government, but some people believe that should change.



*Mar-a-Lago, Trump's palatial residence and club in Palm Beach, Florida*

<sup>2</sup> flaws: mistakes, marks, or defects

## The Entrepreneur as Business Hero

- 11 **B**ecause of the many beliefs that connect business to the wealth and the traditional values of the United States, people who are successful in business have sometimes become heroes to the American people. Entrepreneurs provide examples of traditional American values in their purest form for a number of reasons. The first reason is that they succeed in building something great out of nothing. The people who, more than 100 years ago, built up the nation's great industries, such as steel, railroads, and oil refining, were usually entrepreneurs. They started with very little money or power and ended up as the heads of huge companies that earned enormous fortunes.
- 12 The fact that these early entrepreneurs built great industries out of very little made them seem to millions of Americans like the heroes of the early frontier days, who went into the vast wilderness of the United States and turned forests into farms, villages, and small cities. The entrepreneur, like the earlier hero of the frontier, was seen as a rugged individualist.
- 13 Entrepreneurs often began as common people themselves; without the aid of inherited social title or inherited money, they became "self-made" millionaires. They were thus perfect examples of the American idea of equality of opportunity in action.
- 14 The strong influence of the success stories of the early entrepreneurs can be found in the great popularity of the novels of Horatio Alger, which were published in late-nineteenth- and early-twentieth-century America. About 17 million copies of these books were sold to the American public. The central theme of Alger's novels is that in the United States a poor city boy or a poor farm boy can become a wealthy and successful businessman if he works hard and relies on himself rather than others. This is because the United States is a land of equality of opportunity where everyone has a chance to succeed.
- 15 In Alger's first published novel, *Ragged Dick*, a poor city boy who shines shoes for a living becomes Richard Hunter, a successful and wealthy businessman. The hero rises "from rags to riches" and fulfills the American Dream. Dick succeeds only partly because he lives in a land of equality of opportunity. His success is also due to the fact that he practices the American virtues of self-reliance and hard work. According to Alger, Dick "knew that he had only himself to depend upon, and he determined to make the most of himself . . . which is the secret of success in nine cases out of ten." Dick was also a hardworking shoe-shine boy, "energetic and on the alert for business." This quality marked him for success, explained Alger, because in all professions, "energy and industry are rewarded."
- 16 Although few Americans today read Horatio Alger's stories, they continue to be inspired by the idea of earning wealth and success as entrepreneurs who "make it on their own." A final characteristic of entrepreneurs which appeals to most Americans is their strong dislike of submitting to higher authority. Throughout their history Americans have admired entrepreneurs who conduct their business and their lives without taking orders from anyone above them. Americans have great respect for those who can say, "I am my own boss." More than half of all American workers dream of one day having their own businesses and being their own boss.
- 17 In the 1990s, there were thousands of individuals who started companies to do business on the Internet. For a time, some of these "dot-com" start-up businesses were

**By diligence, a quick-witted young fellow  
can rise from rags to riches.**



A lot of people think the age of rags to riches died with Horatio Alger. Are they wrong? The opportunities are out there as never before—if you have the drive and determination and guts to go after them.

Only now you don't have to hide your ambition.

Society has decided that it's OK to be frank about the drive for success.

If you're one of the fast-track peo-

ple, you've probably been reading *Fortune* for years.

After all, when you're running with the best and the brightest, you need all the help you can get.

That's *Fortune*. It's the authority. It's the business magazine you rely on when you've got to be right.

It helps the movers and shakers decide how to move and what to shake. It's their early-warning system, alerting

them to opportunities and dangers around the next corner.

In marketing, management, technology, everything—*Fortune*'s where you get a vital couple of steps on your competition.

It's the business magazine that can help you make it—and keep it.

It's the business magazine to advertise in when you've got news for the fast-track people.

**FORTUNE**  
**How to succeed.**

wildly successful. Millions of dollars of venture capital<sup>3</sup> poured into new technology companies because of their promise, rather than their performance. Stock prices shot up suddenly and young millionaires were created overnight. And then the dot-com bubble burst. Most of these companies were not yet making a profit, and they were heavily in debt. When interest rates rose, they were not able to manage their debt. Investors quickly withdrew their support. Stock prices fell as fast as they had risen, and fortunes made overnight were lost as quickly. Only a relatively few companies, such as Amazon.com and Yahoo.com, survived and became profitable large businesses.

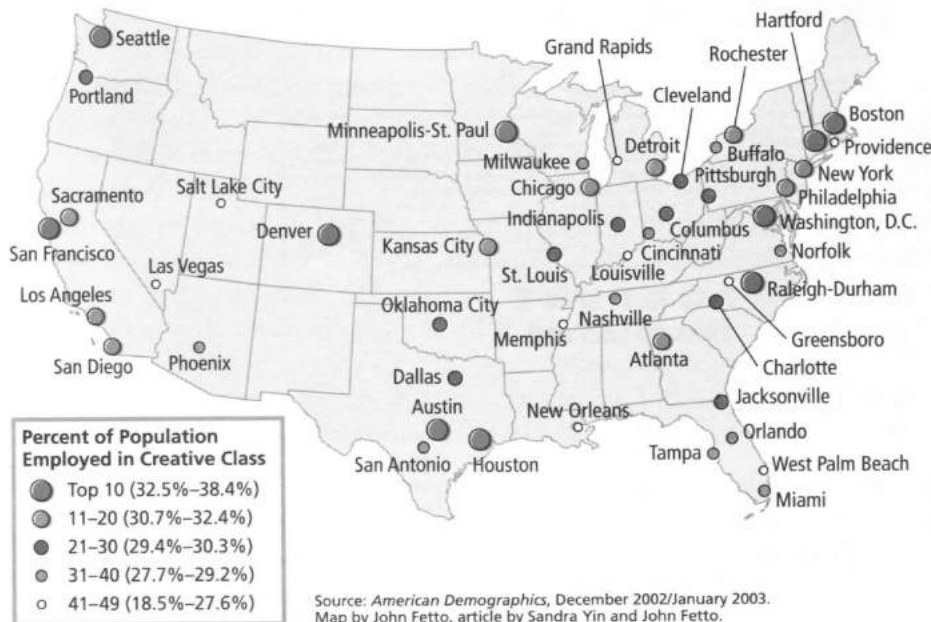
18 Today, many Americans are still willing to take the financial risk that is necessary to start their own small business. Although half of new companies fail within the first

<sup>3</sup> venture capital: money that is lent to people so that they can start a new business

few years, small businesses still account for the majority of new jobs created in the modern American economy. These companies and their entrepreneur leaders play an important role in the United States. More than half of all American workers are employed in businesses with fewer than 100 employees. Small businesses are also an important source of creativity and innovation in the American marketplace, particularly in the field of technology. Inspired by entrepreneur heroes like Steven Jobs, who started Apple Computer in his garage; Bill Gates, who developed Microsoft into a global giant; and Ross Perot, a self-made billionaire who ran for president as an Independent, risk-taking entrepreneurs still launch<sup>4</sup> their businesses with high hopes of “making it big.”

- 19 Richard Florida, author of *The Rise of the Creative Class*, believes that the role of innovation and creativity is rising in the United States today, and not just in the field of technology. Based on his analysis of census data, Florida estimates that nearly one-third of the American workforce now belong to “the creative class.” They either create new ideas, technology, or content in fields such as science, education, design, the arts, and entertainment, or they engage in solving complex problems, in fields such as business, law, finance, and health care. As the map below shows, These creative workers tend to cluster on the east and west coasts, in high-tech centers, and near major research universities and institutions. They will likely have a strong, positive impact on the economic future of these areas.

### CREATIVITY AT WORK



### The Corporate CEO

- 20 The great entrepreneurs of the late nineteenth century built huge business organizations that needed new generations of business leaders to run them in the

<sup>4</sup> launch: to start something new, such as an activity, plan, or profession



twentieth century. These leaders, sometimes referred to as “organizational men (or women),” are now the CEOs (chief executive officers) of American corporations. They acquire power and wealth, but they do not usually have the hero image of entrepreneurs because they are managing businesses that someone else started. Although most Americans admire the earning power of entrepreneurs and would probably not want to put a limit on their income, they are less generous in their view of CEOs. Indeed, many highly paid CEOs have come under severe attack for their multi-million-dollar-a-year salaries and their self-serving management decisions.

- 21 In her book *Pigs at the Trough: How Corporate Greed and Political Corruption Are Undermining America*, Arianna Huffington details how CEOs took huge sums of money from the corporations they were managing and spent it on themselves. She describes how John Rigas, the CEO of Adelphia, a large cable company, borrowed \$3.1 billion from the company when it was in financial trouble and spent it outrageously:

*He spent \$13 million to build a golf course in his backyard,  
\$150 million to buy the Buffalo Sabres hockey team, \$65 million to fund  
a venture capital group run by his son-in-law, thousands to maintain his  
three private jets, and \$700,000 for a country-club membership.*

- 22 Unfortunately, Rigas was not alone. For example, Bernie Ebbers, former WorldCom CEO, managed to get \$408 million in loans while he hid more than \$7 billion in company losses and destroyed the value of the stock. The early 2000s saw a number of other corporate scandals, when CEOs and other corporate officers received huge sums of money from companies that were failing. One of the worst examples was Enron, which left thousands of employees out of work and destroyed their retirement savings. What angered Americans was not only the outrageous greed of the corporate executives, but also their lies to the stockholders, their criminal mismanagement of the business, and their cruel treatment of their own employees.
- 23 Americans' respect for their business institutions rises and falls in cycles, going back to the Industrial Revolution of the 1800s. At times, business leaders are seen as greedy and corrupt villains; at other times they are hailed as heroes. In the late 1800s, for example, some business leaders were known as “robber barons” because of their corrupt practices and their disregard for others. This caused the government to pass laws to regulate business practices. When there are business scandals, the government responds with more rules and regulations. Traditionally, Republicans have been in favor of a *laissez-faire*, or hands-off policy, and Democrats have favored more regulation and safeguards. There have also been instances of business leaders saving important corporations. In the 1980s, Lee Iacocca led Chrysler from near bankruptcy into profitability, saving thousands of jobs and helping the United States compete in the global market. In the 1990s, Gordon Bethune brought Continental Airlines out of bankruptcy into a position as one of the nation's strongest airlines, rated one of the best American companies to work for.

## American Business in the Global Marketplace

- 24 **U**ntil the latter part of the 1900s, the operation of American business took place almost entirely in the United States. For example, in the 1950s, someone who

bought a car from General Motors Corporation knew that the entire car was built in the United States. By the 2000s, this was no longer true. American companies now manufacture or import automobile parts from around the world, and foreign companies manufacture many of their cars in the United States. Today, the money spent to buy a General Motors car might go to a number of other countries: to South Korea for labor; to Japan for advanced parts; to Germany for design and styling; to Taiwan, Singapore, and Japan for small parts; to Britain for advertising; and to Ireland, Barbados, or India for data processing. Some American companies have also started to outsource<sup>5</sup> their customer service and technical support services to countries such as India and Ireland. American business has become a part of a much larger global economy.

25 The United States is the single largest market in the world: a consumer society looking for goods from all over the world. It is also a country with products to sell, and much attention is being given to competing successfully in the global marketplace of the twenty-first century. The World Bank estimates that exports make up about one-quarter of the global economic output. The United States cannot compete with the abundant supply of cheap labor that exists in the countries of the Pacific Rim and Latin America, and therefore many U.S. companies are moving their manufacturing operations to Asia or Latin America. The number of manufacturing jobs in the United States has been declining ever since the late 1990s. Old, giant corporations such as IBM have laid off thousands of workers, downsizing to become more efficient and competitive. Some Americans are alarmed by the loss of these jobs; others see new opportunities. New small businesses provide temporary workers to companies that outsource, and individuals find new ways to do business over the Internet. American business now understands that it must be highly efficient if it is to compete successfully in the global marketplace.



Sallie Krawcheck, CEO of Smith Barney

## The Changing American Workforce

26 Traditionally, white males have dominated American business—earning the highest salaries, achieving the greatest successes, and certainly wielding<sup>6</sup> most of the power. They have been the “bosses,” setting the standards and the working conditions for the rest of the working population. But times are changing.

27 The percentage of women entering the workforce rose steadily from the 1960s through the 1980s, leveling off in the 1990s. Women now make up about one-half of the workforce. More and more women have reached middle-management positions, but very few (less than 10 or 15 percent) are the chief executives of large corporations. In the past, women were prevented from moving all the way to the top by what some call “the glass ceiling,” a subtle<sup>7</sup> form of discrimination.<sup>8</sup> The men above them often did not offer women the opportunities they needed to advance in the company. However, women are now earning more undergraduate college degrees

<sup>5</sup> outsource: to hire employees in another country instead of using workers where the business is located

<sup>6</sup> wielding: having a lot of power or influence and being ready to use it

<sup>7</sup> subtle: not easy to notice or understand unless you pay careful attention

<sup>8</sup> discrimination: the practice of treating a person or a group differently in an unfair way

than men, and many are receiving MBAs (masters of business administration degrees) as well. Many of the young women now in the workforce feel that the "glass ceiling" no longer keeps them from advancing. Other women would argue that it is still there. Today, women hold about half of the professional specialty, executive, administrative, and managerial occupations in the United States. However, many women still do not receive as high salaries as men do.

- 28 Many jobs in corporate America are "fast-track," requiring that both women and men put their job first and their family second. Studies show that an employee perceived to be on the "mommy track" or the "daddy track" will not earn as much money or be given as much responsibility as the one willing to sacrifice<sup>9</sup> time at home for time at the office. Some families are now beginning to question whether success is really worth the price. Some businesses provide flexible working hours and day care centers in the building, but most do not. A number of women are choosing to drop out of the workforce and stay home with their children. Some find work they can do at home—working on a computer linked to their office (*telecommuting*), for example. Interestingly, more than twice as many women as men now try their hand at starting their own small business, following the dream of the entrepreneur. Many of these small businesses are operated out of their own homes.
- 29 One of the worst problems facing American women is that overall they earn about seventy-eight cents for every dollar earned by American men. In spite of the ideal of equality of opportunity, women sometimes earn less money than men do for the same work. Minorities often face similar discrimination in the workplace, earning less money than white workers with similar jobs would earn.
- 30 However, in the future, the white American male may no longer have advantages over other workers. The recent arrival of millions of new immigrants is changing the makeup of the American workforce. Traditionally, within ten or twenty years of their arrival, immigrants (or their children) will earn as much as or more money than people born in the United States who are of similar age, education level, and skills. Some businesses now provide English as a Second Language courses at the workplace, and others conduct *diversity training* to promote understanding among the different racial and ethnic groups who now work together. Many believe that this multicultural workforce will ultimately help the United States compete in the global marketplace, since American workers will represent a microcosm<sup>10</sup> of the world.
- 31 Although the institution of American business has undergone enormous changes in recent decades, it has remained one of the most important institutions in the United States. In many ways, the business of America is still business.



Dr. Wang, a National Cancer Institute research scientist, examines a slide.

<sup>9</sup> sacrifice: to stop having something you like in order to get something more important

<sup>10</sup> microcosm: a small group or society that has the same qualities as a much larger one