

## Why Capitalism Isn't a Bad Word

*Schwartz: It's your responsibility to teach others*

*With questionable business practices making headlines, capitalism has gotten a bad rap with millennials. Rick Schwartz, chairman of Winsupply and outgoing chairman of NAW, advises that it's up to businesses to change that perception – or put the future of the U.S. economy in peril.*

**By Jenel Stelton-Holtmeier**

In 2016, a Harvard Institute on Politics survey found that only 42 percent of 18- to 29-year-olds “supported” capitalism. That fact may be a bit jarring to some business executives, but “I don’t blame them,” Rick Schwartz, chairman of Winsupply and former chairman of the National Association of Wholesaler-Distributors, told MDM. “I genuinely feel that it’s not their fault. It’s just the time they were brought up and what they’ve been exposed to.”

A report released last month by the Young Invincibles, an advocacy group focused on 18- to 34-year-olds, noted that millennials are currently making about 20 percent less than their parents were making at the same stage in life. “That’s significant,” Schwarz says. “That’s concerning to me.”

If we don’t change their minds about capitalism, he says, our economy could be in trouble.

### **Why capitalism seems to be a bad word**

“In spite of everything American capitalism has done to make our lives better, some people are no longer inspired by it,” Schwartz told attendees at the 2017 NAW Executive Summit in Washington, DC earlier this month. “... It’s being blamed for our economic problems, our weakening middle class, our distrust of businesses and the people who run them.”

Millennials are not only making less money than previous generations, they’re carrying higher debt loads, in large part due to college loans they were told they needed to get ahead. Once a symbol of the American Dream, home ownership is now viewed by many of them as a pipe dream instead.

The problem, according to Schwartz, started in the 1970s, when a number of factors around business emerged, including:

- Crony capitalism
- A relentless focus on quarterly earnings and the “financialization” of business
- Extreme regulations
- Excessive business taxes
- High government spending and debt

“Until the 70s, it was just easier ... people were inspired to be more entrepreneurial,” he says. But since then, the media has been dominated more and more by negative stories about bad companies doing bad things.

Two of the factors highlighted by Schwartz relate directly to business behavior. Boards and executives are hyperfocused on the short-term earnings and “what’s in it for me” rather than on the long-term benefits to the company, its employees and the community at large, Schwartz says.

Some private equity firms have earned their industry a bad name by taking that greed to another level. They acquire companies and squeeze cash out of them by closing them down, garnering headlines about the uncaring financial sector and leaving countless people unemployed.

The other three factors fall somewhat outside of direct business control, according to Schwartz, but they’re no less important to the perception of capitalism. “There’s a lot more cronyism, a lot more corruption – not just in business, but in government. It’s making it harder for businesses to survive,” he says. Over-regulation has dampened the ability and willingness to build businesses out of new ideas.

“If the Wright brothers were alive today, they likely wouldn’t have been able to start an aircraft company,” Schwartz says. “They probably would have faced a lot more issues trying to do what they did.”

Not all regulations are bad, but the onslaught of regulations being thrown at businesses over the last several years has been “unbearable,” said Jade West, senior vice president-gov-

ernment relations for NAW, at the NAW Executive Summit. "We just need to take a breath."

### Why it's not

The media's focus on companies and people that exploit the system amplifies the problems, Schwartz says. The challenge is to find a way to cut through the noise and highlight the good.

Entrepreneurs today have more opportunities than ever before. While banks may still be a bit skittish to fund unproven ideas, nontraditional funding sources, such as crowdsourcing sites Kickstarter or GoFundMe, provide access to funding that not only represents base money but public interest in the project or idea.

That community-supported structure represents in many ways the foundation on which many distributors were built, including Winsupply. It rewards innovation in spite of risk by providing a way to manage and share that risk.

"Our local owners take pride in their local company because they own a substantial part of it," Schwartz said in his speech to NAW. "The risks they take and the rewards they make create in them a wonderful feeling called earned success."

But the strengths of free enterprise capitalism don't stop there, he says. It can also help boost people out of poverty by providing opportunity. "We've seen it at Winsupply." Employees who started with the company with almost nothing have risen through to ranks to become local owners – "and thrive there," Schwartz says.

Free market capitalism also has the power to inspire philanthropy. "How many people can you name who started a business, created wealth, identified a cause and then donated their own money to a community project that advanced the greater good?" Schwartz asks. "The link between American capitalism and philanthropy is everywhere."

When people who succeed are inspired to help others succeed, it breeds a cycle of success. In a poll conducted by Morning Consult last fall for *Fortune* magazine, nearly two-thirds of respondents between the ages of 18 and 34 said they wanted to work for a company that gives back to the community in some way. In other words, having a charitable giving program as part of your organization can help recruit new talent.

### Who is responsible for change

The same Harvard IOP study that revealed millennial distrust of capitalism also showed that the generation is even less trustful of socialism –

only 33 percent of respondents said they supported socialism.

There's an opportunity for business leaders to lead the charge to change the perception about free enterprise capitalism, Schwartz says. And it's their responsibility to reinvent free market capitalism for future generations.

"My speech (at the NAW Executive Summit) was intended to be a call-to-action speech," Schwartz told MDM. "It was intended to say: Here's the problem and here's why it exists.

"And most importantly, it was intended to say: Here's what you can do and here's why you should do it."

First, young people need to see and understand the good that free market capitalism has done in the U.S. and around the world. Talk to them, he says. Tell them about the people the system has helped, such as Kathy Mazzarella, president and CEO of Graybar, St. Louis, MO. She started as a customer service rep and, in the beginning, struggled to make ends meet.

But with Graybar, she became an award-winning salesperson, earned an MBA and led sales, marketing, strategic planning and human resources before advancing to the C-suite.

"She used to think her story wasn't important," Schwartz says. But it is because the second way to reinvent free enterprise capitalism in the eyes of young people is to be a role model for the good.

Get involved in organizations that stand up for free enterprise and give back to the community. Don't just tell the next generation that it's a good thing; show them how.

Finally, the "best way to re-educate our young people is by creating jobs and opportunity," Schwartz says. Job creation is a critical part of economic growth.

But it also means helping people "achieve without limits," he says. Find ways to help employees grow as leaders, invest in their continuing education and encourage them to get more involved in the business community, as well.

"It is my responsibility to try to help solve the problem and give back by helping defend it," Schwartz told MDM. "Free enterprise capitalism is not a perfect system, but I haven't seen anything out there that's been better. It's up to us to make it better."

*Watch Rick Schwartz's entire speech from the 2017 NAW Executive Summit on YouTube at <https://youtu.be/fwzv0ZXAVUk>.*

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