



The 'Price' of Doing Business

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As someone who ran his own business for many years, I am aware of the difference between *cost* and *price*, even if it is something that eludes many political leaders and more than a few businesspeople with their noses in the public trough.

Cost is the expense that a business incurs in making a product or performing a service. Price is the amount of money that a customer pays for the product or service. The difference between the two is the business's profit or loss. In a competitive marketplace, profitability is the acid test that separates winners from losers.

In an article that appeared in the *St. Louis Post-Dispatch* on Dec. 24, Missouri Gov. Jay Nixon spoke in favor of awarding \$120 million in subsidies to a group of wealthy businessmen who want to build a brand-new stadium and bring a Major League Soccer (MLS) franchise to downtown Saint Louis.

"It's the price of doing business," Nixon said, adding: "Folks may want to anguish a little bit" over the ladling out of such a large sum of public money to underwrite a private venture but not to worry — because, "quite frankly," this is a necessary and "cost-effective" way of putting a new business (the MLS franchise) on its feet.

The suggestion here is that the city of St. Louis and the state of Missouri must be willing to part with \$120 million — that being the price demanded by the group of businessmen (with the enthusiastic support of MLS Commissioner Don Garber) — in order to have a good chance of landing the soccer franchise.

But wait a minute.

If this was such a great business opportunity, why were these self-described businessmen and the MLS panhandling for public support? Why didn't they think they could cover their costs — including the cost of building the stadium — through the sale of tickets, merchandise, and TV rights? And if they can't cover their costs through their sales and still make a decent profit, why should anyone think that what they are trying to do is anything other than a foolhardy venture?

Running a business *isn't* supposed to be easy. If misguided or self-interested political figures try to make it so (through public subsidies to private ventures), they inevitably divert scarce resources to less productive uses.

They make it possible for those without a solid business plan, and without any real appetite for innovation or risk, to enjoy an undeserved moment in the sun — at taxpayer expense.

At the same time, they encourage others to eschew enterprise for the seemingly easy but dead-end path of cronyism.

In short, they only poison the well that produces prosperity under the free market system.

What our outgoing governor called “the price of doing business” has nothing to do with business in any serious sense. Incoming Gov. Eric Greitens called it by its proper name.

It is “corporate welfare” for the idle rich.

About the Author



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A former foreign correspondent who spent four years in the Middle East and served as Business Week's London bureau chief during Margaret Thatcher's first two terms as Britain's prime minister, Andrew is a regular contributor to leading national publications, including the American Spectator, the Weekly Standard, and the Wall Street Journal.

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