



MASTERY VS. PROFIT AS MOTIVATION FOR THE ENTREPRENEUR How Crony Policies Shape Business

Entrepreneurs are not driven by profits alone: mastery of the goods or services they produce is an important motive, and their performance is validated by comparison with other entrepreneurs' products. Entrepreneurs find validation in the choices of individual consumers, which motivate them to continue to deliver high-quality products and services.

A new study published by the Mercatus Center at George Mason University synthesizes psychologists' research on intrinsic motivations with research on the motives of entrepreneurs and shows that entrepreneurs are often motivated by a desire to succeed in competition with others. Consumer choice in markets provides validation to entrepreneurs about who provides the "best" product, so government intervention that results in disruption of choices in markets can make entrepreneurs who care about mastery worse off and harm economic growth.

To read the study in its entirety and learn more about its authors, economists [G. P. Manish](#) and [Daniel Sutter](#), see "[Mastery vs. Profit as Motivation for the Entrepreneur: How Crony Policies Shape Business.](#)"

MASTERY SEEKING VS. PROFIT SEEKING

Mastery seeking is an entrepreneur's intrinsic desire to produce a good product or service. *Profit seeking* is a businessperson's desire to make a profit regardless of the quality of the product or service.

- *Competition is motivation for entrepreneurs.* Many of the great entrepreneurs who have contributed to the prosperity of the economy appear to have been motivated not solely by money, but also by the competition offered by markets and business. They have continued to build businesses and create new products after accumulating enormous riches.
- *Profit is not the only motive.* Profit may be a way of keeping score in the game of business for such entrepreneurs, not the ultimate or only goal.

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KEY FINDING: GOVERNMENT-GRANTED PRIVILEGES CAN HARM ENTREPRENEURSHIP AND SLOW ECONOMIC GROWTH

In the modern economy, governments often grant privileges and hand out favors to certain businesses through a wide array of policies, such as subsidies, tariffs, taxes, and regulations. Policies that allow governments to intervene in the market and favor some businesses over others can be called “crony” policies, as governments will favor those who support politicians’ continued political power.

- *Government privileges disrupt consumer choice.* Crony policies can disrupt the consumer choice process and consequently the validation of performance. As a result, government favors may increase profit but reduce realized performance for entrepreneurs, making entrepreneurs motivated by mastery worse off.
- *Entrepreneurs are forced to satisfy politicians, not consumers.* Politicization of the economy inevitably leads entrepreneurs to seek to satisfy politicians (through lobbying) as opposed to consumers alone. Spending time lobbying produces nothing of value to consumers, which slows economic growth.
- *Cronyism can harm entrepreneurship and economic growth.* The level of cronyism in a nation could affect the types of individuals who tend to become entrepreneurs, with extensive government intervention pushing mastery seekers to pursue mastery in other life endeavors. This will slow economic growth, as the best entrepreneurs no longer provide quality goods and services to consumers.

CONCLUSION

Political favors and regulations actually interfere with free competition in the market, and they do not necessarily enrich businesses. Cronyism can create a system of skewed competition. Consequently, the best entrepreneurs who value mastery may have no interest in joining or continuing to participate in a rigged game. Without strong entrepreneurship in an economy, economic growth will falter.