The Virtue of Profit, the Vice of Loss  
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Profits seem often to be viewed with suspicion within our society. They are more tolerated as a kind of necessary evil than embraced enthusiastically as a good thing. While profit is widely recognized to be necessary to provide incentive for people to invest in business enterprises, this recognition is more begrudging than warm and admiring. The profit motive is typically placed somewhere in the basement of human motivation. The upper floors seem mostly to be occupied by concerns of service to others and not to profits. Service to others versus service to self seems to be a widely held antinomy.

This antinomy between profit and service is false. It misses the simple recognition that profit results from successful service to others. Profit is a sign of successful and valuable service to others. Long ago and far away, in England in the 18th century, Samuel Johnson observed that “people are seldom so innocently engaged as when they are making money.” In making this observation, Dr. Johnson captured the elemental economic truth that in commerce someone can make a profit only by providing valuable service to others.

Commerce is trade writ large. Two school children are engaged in commerce when Tom trades his bag of pretzels for Sally’s apple. Each child gives up something he values less to acquire something he values more. Children don’t keep account books, of course. But if they did, those books would show profit for each of them. The cost of Sally’s business is the apple she must sacrifice to get Tom’s apple. That apple, in turn, is Sally’s income. Sally values the apple more
highly than the bag of pretzels she had to sacrifice to get the apple. Sally’s
income exceeds her cost of business; she has made a profit.

So, too, has Tom. Tom’s cost of business is the bag of pretzels he had to
sacrifice to get the apple. He valued the apple more highly than the bag of
pretzels. Tom’s income exceeded his cost of business. Tom likewise made a
profit on his trade with Sally. If these children were to record their schoolyard
trades in account books, those trades would be sources of profit.

This simple schoolyard setting holds as well for the world of commerce at
large. Commerce is simply an avenue for extensive and continuing trades. In all
such trades, people are seeking to exchange something they values less for
something else that they value more.

In one case, someone might trade labor for income because that person
values the things he can buy with the income more highly than he values the free
time he must sacrifice to provide the labor. In another case, a baker might use his
flour in producing a white bread instead of a multi-grain bread. He might do this
because he thinks his customers will value the white bread more highly than the
multi-grain bread. If he is correct, he profits, and so do his customers. Profit
means simply that people have gained from their trades. They are better off than
before. The earning of profit means simply that what is acquired is worth more
than what is given up. Through commerce, people give up what they value less to
get what they value more.

If Dr. Johnson were to have thought about commercial losses, he would
surely have observed that “people are seldom so destructively engaged as when
they are losing money.” Loss is a vice just as surely as profit is a virtue. What does it matter if a commercial endeavor turns a loss of $1 million instead of a profit? A commercial loss means that people have given up what they value more in exchange for what they value less. The magnitude of the loss indicates the extent of the destruction of value.

What is the significance of losing $1 million? At a daily wage rate of $100 and a work year of 250 days, this loss represents the waste of 10,000 days of people’s time, which amounts to the waste of 40 people for one year. The loss of $1 million is as if the annual effort of 40 people were simply somehow destroyed.

Concerns of profit-and-loss are not properly set against concerns of humanity. There is no dualism of business and life. Profit-and-loss is simply an indicator of the success with which human concerns have been achieved, and it implies no evaluation of those concerns.

The evangelist Paul made tents to support his activities in Corinth. Presumably, he sold his tents for more than they cost him to make, which allowed him to support his evangelical activities. The people who bought his tents likewise profited from their transactions with Paul. Everyone gained through commerce. Commerce is a process of peacefully-organized mutual assistance, and it deserves high honors in any Pantheon of human endeavor and accomplishment.