

The Prosperity Paradox

How sustainable prosperity is the inverse of the practices of the most of today's enterprises.

An interview with Richard T. Smith,
Founder and Chairman of TranzactCard



Offensive Coordinator and Head Coach, John James finished his pre-game pep talk to a ragtag group of 8- and 9-year-old football players with a question, "If Coach Smith were here, what would he say to you?" He was met with a long moment of silence before one boy's face lit up, "I know, Coach! Go get the ball" he started ... "And HIT HARD!!" Each boy on the team shouted the last phrase at the top of his lungs.

"That pretty much sums up the man, Richard Smith," says John James, Richard Smith's brother-in-law and fellow coach. "I suppose he is something of a social impact marketing guru, but whatever he's learned in business applies equally to peewee football, or perhaps it's vice versa? Either way, in the six years he served as their defensive coach, Coach Smith's team won six championships."

§ We sat down at David's Kitchen, a South Salt Lake City, Utah, Chinese restaurant where Richard was greeted as a friend. Menus were not offered.

"Any allergies or anything you don't eat?" he enquired of me before turning to a man he addressed as Henry. "How's the family, how is your Mom," he asked, before requesting, "the usual." Then, for the next ninety minutes we enjoyed amazing pot stickers and several tasty dishes including a beef and asparagus in black bean sauce plate that still has me licking my lips. Between dishes I had the opportunity to explore the business philosophy that underpins Richard's fascinating career. He has a unique and impactful approach to business and marketing.



GO GET THE BALL. HIT HARD.

That's a maxim which applies to life and business as much as it does to peewee football. There is nothing wrong with profit. It's the essential lifeline of sustainable business. But the motives and the methods make all the difference.

Q. Richard, you speak of engaging in a “social impact enterprise.” That sounds like an innovation of social media and modern technology marketing. Would you agree with that?

A. “It sounds that way but it’s actually been around since the late 1700’s and flourished in the 1800’s, when farmers got together to buy seeds and farming equipment in a co-op structure. Their combined buying power benefitted each farmer individually. Not many people have heard of Robert Owen (1771–1858), but he is considered the “father of the cooperative movement.” Owen was a Welshman who became wealthy in the cotton trade. He believed in putting his workers in a good environment and giving them access to education for themselves and their children. Robert Owen became wealthy but he spread the wealth. I think there is a correct and sustainable principle in that. But, when the leaders at the top of an organizational pyramid form a corporation and pay themselves more than the natural person actually producing the goods or services, when a corporate entity acting as a person takes over an industry and forces small entrepreneurial natural persons out of business, I see everything becoming plain,

boring and lifeless. In my view, what makes life worth living and business worth pursuing is the inverse of the corporate profit model. When an individual creates something that has value to another individual, profit is a natural byproduct, for both. That’s when there is intrinsic value. Each party to that kind of transaction receives fair value. That’s endlessly replicable. That’s sustainable.”

“Every time an idea meant for the betterment of humanity is brought forth in cooperative creation, paying as many persons as possible, then offered at a fair price which benefits the producers and society beyond the exchange of currency, then we will have truly entered into the belief system that promotes impactful enterprise.” RTS

Q. What do you mean by the term, “Natural Person”?

A. “A natural person is a living breathing human with a heart beat as opposed to a business entity managed by number crunchers, controlling costs and taking the

bulk of the profits while leaving the natural persons, the ones that produce the goods and services languishing at the bottom of the profit chain; in the worst examples, with barely enough to survive.”

Q. How does your business model differ from what you described?

A. “My marketing strategy is easy: find a value proposition, a good or service that benefits humanity and then find a way to pay as many people as you possibly can as that good or service is created and provided. Let me give you an example; this place.” He pushes back from the table and motions around the room. “Social impact enterprises have been around forever. A social impact enterprise is any natural person who produces something that serves or benefits another natural person. I’ve been coming here once a week, or more, for about 15 years. My wife and kids love it. This is the number one requested birthday dinner location for my seven sons. I like places where I’m known, where I don’t need a menu and where the quality and service is personal. I’ve introduced David’s Kitchen to hundreds of friends and business associates and they’ve introduced others.

"Henry is the son of David, the original owner. He buys local ingredients to protect the quality of his food and to give back to the community that gives to him. His recognition of me, and treating me like family is the pay I get for my loyalty. The other night I took my son to a franchise Chinese restaurant that has been another family favorite. On this occasion, despite having eaten there for years, no one recognized me, the quality has gone down, and even my teenage son, who'll eat about anything, noticed the lack of service and food quality. Why is that? It's a corporation, driven by shareholder profit, not by intrinsic value."

restricted long before covid. Corporations use crises to get more market share by offering lower prices which inevitably leads to lower quality. The problem with the corporate model is that there is never enough. The success of a corporation is defined primarily by year over year profit increases. A corporation can feel no satisfaction in a job well done, no joy at seeing a familiar face, no pleasure in being part of a community of people.

"For 100+ years small hometown businesses struggled and have mostly lost the competition with supermarkets, and box

stores. I remember, forty years ago, being sent by Dad down to the hardware store in the tiny town of Springville, Utah. I rode my banana bike down 200 South to State Street, went into Kolob Lumber, and told Chip Reynolds, the owner, "My dad, Courtney Smith, sent me down for a hammer." He took me to the shelf of hammers, handed me one, and said, "I'll put it on your Dad's account, Riki, have a great day." That rarely happens anymore. The personal touch is disappearing. A hammer today costs three times as much as that one did, the quality is half as good and our children aren't treated like valued members of a community. That is one of the

Q. Is it the covid effect that has caused the decline in quality and individuality?

A. "No, the decline in quality and uniqueness is the result of people always wondering what is in it for them. Many people believe that getting the most they can for the least they can pay is in their best interest and the natural state of the world. It's not! During every crisis the wealthy make more wealth while entrepreneurs and small business owners feel the pinch; many are forced out of business and even descend into poverty. Supply chains were being suppressed and



reasons why, despite all the malarkey about the value of the individual and inclusive personal expression we're losing so many of them to suicide. Technology and the covid crisis have sped up the effects and shone a spotlight on them, but they are not the cause of the decline."

Q. So you say these declines are systemic not circumstantial; how do you plan to change it?

A. "See it!! Understand that it is not the natural order of things. Support local craftsmen and artisans. When you have a product or service, involve and pay as many people as possible to produce it and get it to market. Cooperate with family, friends and neighbors to make sure we all have enough. Quit working for the corporation that pays you just enough to purchase from them the products and services you produced. Acquire needful things, share, stop consuming mass-produced crap! And for the love of God, turn off everything that markets to you! When the value of a person is based on the level of consumption they can attain, the society in which they participate has devolved into a slave state where life has less meaning. The decline

of society is always measured on the scale of consumption. Modern marketing has another name, indoctrination. Advertising is indoctrination. The news is indoctrination. Hollywood is indoctrination. Social media is indoctrination. The point of this indoctrination is to convince each human being that their natural value is not absolute but is tied to their willingness to accept the indoctrination, mindlessly consume products, and depend on "likes" — external endorsements rather than internal and intrinsic value. Probably,



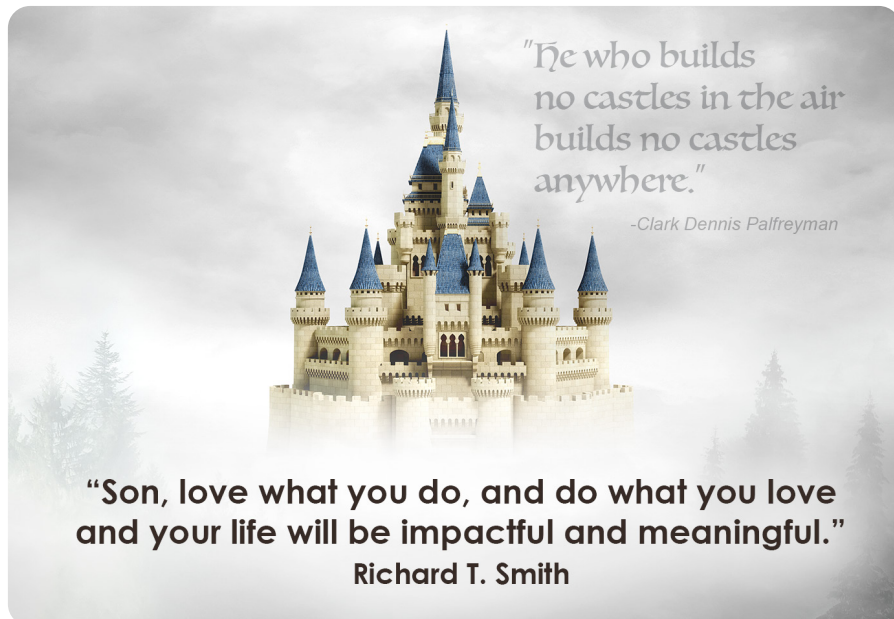
these driven consumers are using credit which further enslaves them to the salary and the consumer state. Look for companies that connect you to people and their products. I've spent most of my career in the direct sales space because, despite having many of the same issues as the narcissistic corporate space, there is connection with others. Sadly, I've watched partners, friends, business leaders and coworkers in that space fall into the same death spiral as corporations. Products aren't unique and valuable; they are overpriced variations, containing a "secret ingredient." These products cost ten times more than a similar item at a supermarket and few of their "word of mouth" promoters and distributors make more money than they spend."

Q. If someone were to do what you suggest, turn off television, news, social media and entertainment, could they even survive in modern society?

A. "Good question. No, they couldn't survive in our modern society, but realize that modern society isn't surviving; it's on a collision course with itself. The current belief system has to be purged and a new belief must take its place."

Q. What is that new belief system?

A. “First that a human, a natural person, does not exist as a CUSIP³, a number, tracked and traded at the whim of an elite cadre of meta human corporations. When humanity truly “wakes up” and realizes where it is and then actively replaces the business of profit-driven corporations with the still profitable but more sustainable social impact motive, things will change. But the change will be bottom up not top down. Every time an idea meant for the betterment of humanity is brought forth in cooperative creation, paying as many persons as possible, then offered at a fair price which benefits the producers and society beyond the exchange of currency, then we will have truly entered into the belief system that promotes impactful enterprise. This planet has enough resources, more than enough, so that all natural persons can have the capacity and means to live freely and meaningfully.”



Q. One more question. Is that what you meant by, "Go get the ball and HIT HARD?"

A. "Every young mind can understand those two things and that makes the game real and personal. Real, because they can accomplish it. Personal, because it's how to work with the team and if the team works they win."

ENDNOTES

1: The Prosperity Paradox: How Innovation Can Lift Nations Out of Poverty, is a book published in 2019 by Harvard Professor Clayton Christensen (1953-2020), with co-authors, Efosa Ojomo and Karen Dillon, which has been adopted by TranzactCard as its "handbook" — required reading for all associates. These enlightened principles are known or available to be understood by the corporate world, but the uptake is slow and therefore must be driven by entrepreneurs.

2: The "interview" is a composite of several interviews with Richard Smith, with Coach John James, Coach Jon Holbrook, former McDonald's franchise owner, and Coach Susan Smith, freelance writer and mother of the Smith's seven sons; November 2021

3: CUSIP: Committee on Uniform Securities Identification Procedures. This organization oversees the entire CUSIP system. The CUSIP number is a unique identification number assigned to all stocks and registered bonds in the United States and Canada, which then allows accurate trading of the CUSIP identified financial instruments.