

**Climbing Your Own Ladder**  
**Commencement Address of J. Joe Ricketts**  
**Founder and Former Chairman of TD Ameritrade**  
**Bellevue University—June 5, 2010**

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I am very delighted to be here at Bellevue University. I have high regard for this school. It's as committed to practical education as it is to instilling the values that people need to be successful. I want specifically to cite the outstanding Kirkpatrick Signature Series. These courses devote themselves to a thorough and useful exploration of American history, government, and culture. They extol the values by which I have lived my life. They encapsulate a core of beliefs that my parents instilled in me that made a sort of compass for my life.

I thought I would talk to you about opportunities and challenges that may be in front of you as new graduates, starting with myself as an Entrepreneur and what it means to be such, and then talk about our economic environment and how the current changes may affect you as recent graduates.

My ancestors came from Europe to experience the American Dream. They came to Nebraska as homesteaders. They brought little more than their values with them, but these values gave them the perseverance and encouragement they needed to succeed. The strange world that they stepped into was filled with bewildering challenges. There were droughts. There were locust plagues. There were hostile Indians. There were winters so cold that the cat's whiskers froze in the milk pail. But, they worked hard, and that work saw them through tough times.

I was born in Nebraska City. My father was a home builder. He enjoyed work and taught me to enjoy work, also. He also taught me the meaning of entrepreneurship. To his way of thinking and mine, an entrepreneur isn't someone who goes to a venture capitalist to get money to launch his big idea without using his own capital. Real entrepreneurs grubstake their ideas with their own money, even if borrowed.

That's what I did. I started out small with \$12,500, most borrowed from friends and relatives, but all the decisions were mine to make. When you use somebody else's money as an equity owner, your decisions will be different. You won't really be independent. You won't really be an entrepreneur either, because you're still answering

to someone else. For example, if you take a course on how to invest in the stock market and this course gives you \$10,000 or \$100,000 of play money to build a portfolio, based on the lessons you learned in the study, you will learn the techniques of investing. At the end of the course, no real money was actually invested, so the student comes out financially unharmed. In real life, emotions, intuitions, gut feelings, and instinct affect how you make investment decisions. Until you're actually in the position to make a real-life investment decision for yourself with your own real money and real consequences, there is no way to predict what you would or should do. And, whatever your decision is, the outcome of it is yours to own, good or bad.

The entrepreneur is his own man or woman, and invariably the entrepreneur's best ideas will be seen as foolish by everyone else. If you're an entrepreneur, you must have the character to blaze your own trail. You may go far afield at times, but don't be discouraged. Keep your vision in mind at all times.

One thing I've learned is that if everybody thinks your business idea is a good one, it's probably not. It's usually the wackiest idea, backed by research, good intuition, and insight that turns out to be best. That's the idea that exploits the niche that nobody else occupies, and because nobody else is there, it's the source of greatest opportunity. Disneyland, for example, was the first amusement park intended as much for adults as their children. Federal Express was a crazy idea. It was competing with the deep pockets of the United States Postal System, but it offered something that the post office never conjured: Overnight Delivery.

As you pursue your vision, you will make mistakes. That is good. Making mistakes is one of the best things you can do. Think about it—as you follow your vision and go a direction no one else has gone, you will have to make decisions in a vacuum—that is, without complete information. If you wait for complete information, the opportunity may have bypassed you. You will need to make decisions based on gut feelings and intuition. Many of these decisions will be wrong—mistakes. These mistakes need to be corrected quickly, but you will know what not to do again. This is valuable information—perhaps better information than an MBA. Therefore, the more mistakes you make and correct, the better off you will be. Make many mistakes, and you will improve your chances for success as an Entrepreneur. This is different than most

corporate cultures. In many corporate cultures, you will truncate your career with mistakes. “I have not failed,” Thomas Edison said when he tried 10,000 different substances as the filament in his light bulb and none of them worked. “I’ve just done 10,000 experiments that I won’t have to do over.” That’s the spirit.

Virtually everyone has dreams, but those who stick to their dreams can make them come true. They are the sort of people who refuse to be discouraged. Mounting challenges only spur them on to greater effort and ultimate success.

I’ll be frank with you. I know of no greater formula for success than dogged determination and hard work. Keeping everlastingly “at it” brings success. If you’re not a determined individual or someone who loves to work hard, enjoys change and to manage risk, then don’t become an entrepreneur—and there is no wrong in that. Being an entrepreneur isn’t for everyone. In fact, it takes all types to make this great nation what it is, and it will take all types to make it what it can be. But, if you are both a dreamer and a doer, shoot for the stars.

I say that because success in a conventional business such as a restaurant, dry-goods store, landscaping business, or law firm calls for the same amount of hard work. But, if you have in mind a business that no one else ever imagined, that same quanta of hard work could catapult you into the big leagues. So, dream big and work very hard. That’s the formula.

- Pick an economic activity that allows for growth and has a long-term market.
- Keep costs low, and maximize returns.
- Make an annual return of 20–30% on investment.
- Leave the profits, and do it again.
- Emphasize the annual retained earnings and doing it again the next year.
- Have a strategy for exit.

I was already a very wealthy man when the Internet came around, but by dovetailing my business idea with this wonderful new tool, I was able to launch myself into the ranks of the world’s billionaires. When I saw this opportunity, I knew I had to spend Big Time—\$100 million on advertising and \$100 million on technology. It was a

big decision, but it was critical to still being in business. At one time, we had about 400 firms in our space. Now, there are only several.

So, be alert to new developments that will take you to the next level, and don't worry if you're not the smartest person in the room. I wasn't, and I'm not. But, I had some things that a lot of smart people don't have: the capacity for hard work and belief in myself. These qualities of character will take you farther than any others.

Having said all that, I need to disclose to you that the real world has sharper edges and blacker holes than anything you've encountered in your studies. And whether you're an entrepreneur or not, the real world will test you in ways that are difficult to imagine. To pass these tests—as you must—you will require the same hard work and faith. And that is not faith in anything else but yourself.

Now, let's talk about the business environment.

If you had told me in early 2008 what was about to happen, I wouldn't have believed it. The federal government taking a commanding position in General Motors? The White House bailing out the nation's banks? The Treasury Department owning AIG? Impossible. "This is America," I would have told you. "The government doesn't do things like that." But, then I woke up one day and learned that it can happen here.

We must be especially vigilant now, a time of discontent and high unemployment. This is that most dangerous time when people begin second-guessing the American experiment. They flirt with dead ends like socialism and cede their personal autonomy to the government, but government is just people—men and women—and none have a silver bullet for the complex changes facing us. To blindly cede our independence to the belief that regulations can fix everything ignores the responsibility we each have to ourselves and our future.

Yes, freedom can be abused, and there were businessmen that abused it, but even God didn't give us *carte blanche*. He first gave us a conscience telling us to do good and avoid evil. Unfortunately, not everyone listens to his conscience. That's why God later gave us Ten Commandments—and we can disobey them, too. But, that merely underscores how much freedom God wants us to have. Whether you believe in God

doesn't matter. The truths that undergird all religions are universal. They codify what binds all societies. When freedom is abused, God doesn't respond by taking away our freedom. He gives us the freedom to change, to improve, and to improve the lives of others in the bargain. That's what life is all about. God answers the problem of freedom with more freedom.

History has taught us that any attempt to advance society by means other than freedom will fail. All of the European despots are gone, and what remains of monarchy is a relic—a fossil reminder of a time when people were oppressed and impoverished. In places like Russia, communism swept away a czar only to replace him with another system of command and control, and now, communism has been swept into the dust bin of history. North Korea will probably be the next to fall. China is a communist country in name only. Once they embraced capitalism and economic freedom, their economy took off. They will never go back. There are now 64 billionaires in China, more billionaires than any country but America.

See what a little bit of freedom can do? Think what the Chinese will accomplish with more freedom. They have come so far that we now have to borrow money from them to keep our government from running out of cash.

But, for some people freedom is too much to deal with. When things go wrong they turn to the government. They, in effect, want to escape from freedom and the responsibility that it brings.

I've heard pundits say that had the regulations enacted during the Great Depression remained in place that the crisis on Wall Street wouldn't have happened. This is puzzling because those regulations did not foresee the future. They merely arrested the past in the present. The financial industry was stuck in 1933 for 45 years. When those regulations were scaled back to deal with emerging realities we got credit cards, rewards cards, gift cards, debit cards, index funds, money market funds, interstate banking, ATMs, online banking, and online stock trading. These things brought convenience to consumers never dreamed of before. However, in retrospect, what the Securities and Exchange Commission may have done is not allow for off-balance-sheet funding for broker-dealers and give regulatory oversight to derivatives.

But, the fact is, Depression-era financial regulations would not have prevented this financial crisis. Derivatives didn't exist in 1933; and neither did the overnight loans, called "repos," which brought down Lehman Brothers; nor did securitized mortgages and CDOs, which brought down Bear Sterns, Citibank, and Merrill Lynch. None of these things existed in 1933, and, therefore, those regulations would have failed us.

This current recession is caused by our Federal government through supporting weak and high-risk mortgages. Starting with the Community Reinvestment Act of 1977 and its liberalization in succeeding years plus the policies of the Federal Reserve, Fannie Mae, and Freddie Mac, a pyramid of debt was built that could not be sustained.

Just as generals are notorious for fighting the last war, regulators are keen to protect us from the last crisis. But, as the poet Valery wittily observed, "The future isn't what it used to be." Finance, like everything else, changed dramatically from the gray days of 1933, and the regulators couldn't keep up with it. The world is simply too complex and unpredictable to presume that a specific set of laws can prevent an undesired outcome. Look at it this way. We had risk management tools in place, including complicated mathematical models, which didn't warn us of the impending crisis. They simply provided firms with the illusion that all was right with the world. The rating agencies fed that illusion. Laws and regulations of the sort now being contemplated are certain to lull us into another illusory comfort zone. This is a waste of our money.

Let's us learn from our mistakes and move on, and let us be careful. But, if we are to have regulations, let them be flexible.

In a good society, the future is something of our own making. Only when people are allowed to invent or create can progress gain traction. Only when people are given a personal stake in the outcome can we even have a future.

But, instead of inheriting that personal stake, you have inherited a government that holds you back. The national debt now exceeds \$40, 000 for every man, woman and child in this country. Add to this state debts, and some of you are carrying a millstone of \$60,000 around your necks—and you're just starting out.

When I was your age, a politician would have been voted out of office if he allowed the government debt to balloon like this. Currently, our national debt stands at 110 percent of per capita personal income. When you add personal debt to that, you're close to 140 percent of personal income.

Many believe that the government will try to inflate the economy to make the debt more manageable. That explains why the price of gold has gone from about \$280 an ounce ten years ago to over \$1,000 today. Investors buy gold out of fear that our dollar might become worthless like it was in the early years of the Republic when the expression "Not worth a continental" was pinned to our currency. Paper money is backed by nothing more than the "full faith and credit" of the United States government. It is inherently worthless. But, when the government devalues the currency, it sparks inflationary expectations. That's when inflation starts to spiral out of control.

The last time we had double-digit inflation, the Federal Reserve had to plunge the nation into a deep recession to cure it—because that is the only reliable cure. So, we traded double-digit inflation for double-digit unemployment.

Subsequent years have shown that if the currency is sound, markets will work properly. But, when the Federal Reserve artificially lowered the cost of money, as it did over the last decade, it helped undermine its soundness. That is largely why over the last decade the dollar lost ground against the Euro, the Canadian dollar, and even the tightly controlled Chinese Yuan.

As you've read in the paper, Greece now has to cut government services just like California and other states that borrowed to excess are having to do. Eventually, the federal government will have to tighten its belt, too. Otherwise, federal debt, which stood at 41 percent of gross domestic product two years ago, is forecasted to exceed 90 percent in just 10 years. I believe that the debt could grow even more than that. Social Security recently went into the red. Benefits now exceed payroll taxes for the first time in history. That gap is certain to widen once the baby-boomers start retiring.

At the state level, the situation is also dire. State and local governments have promised over \$3 trillion in pension and healthcare benefits over the next three decades,

but have funded just 70 percent of those payments. Some of these entities will need to declare bankruptcy.

Now add to this burden of debt a right to universal health care, and you have a recipe for disaster—the beginning of the end of the American Dream, and possibly of America itself.

A legitimate right to something doesn't come at the expense of someone else's right. That's common sense. One individual's right to speak his mind, for example, doesn't deprive another person to speak his. That's the way it is with all of the rights enshrined in our Bill of Rights. The exercise of these rights by one person doesn't diminish their exercise by someone else. By that time-honored standard, health care isn't a right because in exercising that right, the government imposes obligations on others—taxpayers, insurers, doctors, and hospitals, for example.

Walter E. Williams, an economist at George Mason University, has made an ethical examination of the health care issue. He eloquently writes (and I quote):

“For Congress to guarantee a right to health care, or any other good or service, whether a person can afford it or not, then Congress must diminish someone else's rights, namely their rights to their earnings. The reason is that Congress has no resources of its very own. Moreover, there is no Santa Claus, Easter Bunny, or Tooth Fairy giving them those resources. The fact that government has no resources of its very own forces one to recognize that in order for government to give one American citizen a dollar, it must first—through intimidation, threats, and coercion—confiscate that dollar from some other American. If one person has a right to something he did not earn, of necessity it requires that another person not have a right to something that he did earn.”

Professor Williams continues his argument this way (and I again quote):

“To argue that people have a right that imposes obligations on another is an absurd concept. A better term for newfangled rights to health care, decent housing, and food is wishes. If we called them wishes, I would be in agreement with most other Americans for I, too, wish that everyone had adequate health care, decent housing, and nutritious meals. However, if we called them human wishes, instead of human rights, there would be confusion and cognitive dissonance. The average American would cringe at the thought of government punishing one person because he refused to be pressed into making someone else's wish come true.”

Professor Williams underscores something that all Americans think of as our birthright. That is the assumption that we are free. Freedom is an article of faith in this country. We are free to give to charity and are among the most generous people on the planet. But, we immediately recognize it as un-American to confer rights on one person if they impose obligations on another. That is the same as robbing Peter to pay Paul. And, as George Bernard Shaw once observed, such a system will only succeed at gaining the support of Paul.

We don't create opportunity by bailing out failed enterprises, nor do we confer rights by depriving others of theirs. That's not the American Way. That is not why people want to come to America or want to be here.

That's why people are stirring themselves to do something about the future of this country. Many people are raising their voices and funds for candidates committed to changing course. But how does one rein in a government like ours? It is a daunting task, as one certainly can't expect the government to fix itself. But, as you know from your extensive study of government, the United States Constitution is flexible enough to deal with the problem.

I am reminded of the story of Ben Franklin leaving one of the last meetings of forming our government when someone asked him, "What kind of government did you give us?" His response was, "We gave you a Republic, if you can keep it."

Currently, our Republic is under assault from our own government. You are graduating into this conflict, and your freedoms and opportunities will be determined by the outcome. And, you will be a part of determining that outcome. The book I am giving to you describes it well.

This is the story of America: Every generation has needed to protect our Republic. Most of the past threats have come from outside our borders. Our ancestors have fought—and some died—to keep our freedoms and opportunities. History has taught us that we will always need to work to achieve and keep our freedoms and opportunities. It is a never-ending vigil.

You are now graduating into that world of Responsibility. This can seem daunting and overwhelming, but at the same time, it is exciting and adventuresome. Your success will depend to a great degree on what you do with what you have inherited.

You are now graduating into and becoming part of the story of America. I hope you can create economic growth and jobs.

I wish you the best.

God bless.

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