



Liberty and the Entrepreneur

WHEN FIRMS are failing and people are out of work, there is clamor for government action to reduce foreign competition and to subsidize faltering industries. An unfortunate inclination to run to government obscures the real hope for solution to these problems. What is really needed is enough liberty for entrepreneurs to do their work.

Francis Amasa Walker, Economics Professor at Yale and later President of M.I.T., met the “iron law” theories of Malthus, Ricardo and Mill head on. He demonstrated with stunning clarity that new opportunities do not derive from dipping into some imagined “wage fund” or from exploiting the workers. Walker identified the entrepreneur as the significant factor in economic development—especially in times such as his or ours.

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David Birch and his M.I.T. colleagues startled America by their study of nearly six million firms reported in Dun and Bradstreet. They concluded that small companies, each with fewer than one hundred employees, created eighty-two per cent of the new jobs in the United States economy during the period 1969–76. These small companies are the realized insights, dreams and formulated plans of action on the part of entrepreneurs.

The Complex Motives of the Entrepreneur

The entrepreneur in America can be truly classified a rare bird. He differs from the conventionally defined businessman in many ways. The entrepreneur’s motives are not merely to avoid loss, turn a modest profit if possible, defend the organization, maintain a position, and win approval for exemplary conduct. The

entrepreneur is possessed above all with drive, insight and ingenuity.

Adam Smith assumed the economic motive to be "a drive to better one's own condition." Ludwig von Mises refined this viewpoint as "an attempt to substitute a more satisfactory state of affairs for a less satisfactory one." The entrepreneur, however, has more complex motives.

The will to power is a basic factor in human psychology, and many economic motives derive from this will—the entrepreneurial drive included. Possessions often bring power and position. George Gilder, however, reminds us that individual economic motives need not be altogether selfish. Henry Ford not only sought profit, but hoped to provide transportation at low cost for the people of America. John and George Hartford, who created the Great A&P Tea Company, sought to better their condition, but also to supply the American people with better food for less money. The old service club slogan, "He profits most who serves the best," is true.

Emulation, nevertheless, is a prime factor for each entrepreneurial venture. When other people are making substantial profits, the entrepreneur wishes to do the same thing.

Risk Factors

The speculative aspect of entrepreneurship has been emphasized by

Ludwig von Mises in his great book, *Human Action*. Israel Kirzner, in his timely book *Competition and Entrepreneurship*, acknowledges the speculative character of business innovation, but points out that the wise entrepreneur is alert to the fact that "opportunity for profit *does* exist." He goes on to say, "All human action is speculative; my emphasis on the element of alertness and action has been intended to point out that, far from being numbed by the inescapable uncertainty of our world, men act upon their judgments of what opportunities have been left unexploited by others."

One of the neglected philosophical aspects of economics has been the acknowledgment and understanding of the principle which the philosopher, Charles Sanders Peirce, called *Tychism*. The very smallest particles of the universe exhibit a random performance which can be actuarially described for purposes of rough prediction, but cannot be assumed to exhibit the kind of absolute causation that made many of the laws of science and, to a lesser extent, the social sciences seem capable of flawless prediction. The economic determinism of Karl Marx must go the way of all absolute determinism. The word "Tychism" derives from Tyche, the goddess of chance. The Latin name for this fair mythological maiden is "Fortuna." She is, indeed, the goddess of the entrepreneur.

Some people have native capacity to take risks. As Gilder points out in his *The Spirit of Enterprise*, "whether sorting potatoes or writing software, they are movers and shakers, doers and givers, brimming with visions of creation and opportunity. They are optimists who see in every patch of sand a potential garden, in every man a potential worker, in every problem a possible profit." These are people who take the plunge to create new enterprises, build new businesses, revitalize old ones. They struggle, flounder, work day and night, sometimes succeed and often fail; but they are resilient and they keep coming on.

The Compleat Entrepreneur

I shall not attempt to describe the compleat entrepreneur as Izaak Walton made glamorous "the compleat angler." I shall, however, outline a few characteristics of the numerous entrepreneurs who are building America out of the ruin of some of our traditional beleaguered and subsidized industries.

Kirzner correctly identifies alertness to new opportunity as the principal factor in entrepreneurship. The person who fails to see an opportunity is disqualified. A wise old African observed, "Anybody can see a seed in an apple; the wise person can see an apple in a seed."

Only optimists transform the economy. The optimism must be disci-

plined, and cannot give way to gloom. The turn of mind which settles for Murphy's Law is doomed. To build upon my earlier figure of speech, the pessimist is a person who can see a bellyache in an apple blossom!

Boundless energy is a great aid to an entrepreneur. Very few people succeed in life without sizable reservoirs of energy. The pioneer who starts a new business may very well wind up working at it all hours of the night. Entrepreneurs make money the old-fashioned way: "they earn it!" Lack of fiscal discipline encouraged by government and somewhat by huge corporations is the enemy of business innovation and successful development. The young Turks who have learned their habits from bureaucracies, whether public or private, may argue the maxim, "You've got to spend money to make money." My experience is that most who urge this action are more adept at the spending than the making. The entrepreneur who starts in his basement then mortgages his house and works on a shoestring is much more likely to succeed than is the person who takes out a huge loan and attempts to live up to his presumed status as a businessman.

The entrepreneur, moreover, must be able to face failure and be resourceful enough to learn from it. Some of the most successful companies in America are the result of

early entrepreneurial failures. The imaginative and creative business person learns by failure, as well as by success.

A talented entrepreneur must have a better-than-average sense of timing. When Shakespeare wrote "There is a tide in the affairs of men, which taken at its crest, leads on to fortune," he provided the maxim for the modern American entrepreneur. My friend Richard Cramer exemplifies the possible accomplishment of a genius entrepreneur who acts at the right time and in the right place. I quote a paragraph from his letter:

I left IVAC Corporation in May 1972 and founded IMED Corporation in September of 1972. I brought with me from IVAC, etc. engineers and marketing people who had been with me all the way back to my start in 1962. IMED proceeded to continue to develop products in the IV control area and developed the first truly volumetric IV pump, which allowed, in turn, the development and use of a wide range of IV solutions, and the expanded use of IV therapy in patient care. IMED grew very rapidly and very profitably by concentrating on these nurse related instruments, that positively affected the stabilization and recovery of patients. In 1982, I sold IMED to Warner Lambert company for \$465 million cash. This, incidentally, was the largest sale of a private industrial corporation in United States history.

The cybernetic revolution is of considerable benefit to the aspiring entrepreneur. The ease with which rel-

atively inexpensive computers can aid in the prediction of outcomes is of great importance to the daring innovator. Ford and Carnegie had to do it the hard way.

The Social Economic Climate

Our present business climate has negative aspects for entrepreneurialing. The inevitable competition may be fierce; business and union monopolies have erected formidable barriers to progress, but the brave and the daring succeed!

The greatest enemy of the entrepreneur is government intervention. The do-good motives which prompt politicians to pass laws and erect bureaucracies not only restrain the pioneer, but mobilize formidable obstacles in the form of unnecessary regulation and discriminatory taxation. The daring, innovating entrepreneur is well-equipped for the struggle, but the government holds a frightening advantage: it has a monopoly on violent force!

No one, however, can thwart the insight, initiative, imagination, drive and determination of a true entrepreneur. While economists are describing the impossibility of the project, and the government is regulating against the success of the enterprise, and the unions and associations are mobilized to thwart progress, the truly intrepid are winning fortunes and providing employment for unnumbered multitudes. ☸

FREE ENTERPRISE:

The Key to Prosperity



FREE ENTERPRISE is widely acclaimed in the United States. Politicians, generally, declare in favor of it; editorialists frequently laud it; Chambers of Commerce have writing contests about it; even automobile stickers praise its virtues. Yet much of our enterprise is restrained, restricted, hampered, regulated, controlled, or prohibited. As an old saw has it, "What you do speaks so loud I can't hear what you are saying." By our practice, we say that we believe in free enterprise—*except* . . . Except for public utilities. Except for the railroads. Except for mail delivery. Except for medical services. Ex-

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cept for housing, financing, and real estate transactions. Except for large corporations. Except for education. Except for interest rates. Except for farmers. Except for small business. Except for industrial workers. In short, a case could be made that Americans believe in free enterprise except in whatever activities they happen to be considering.

It may be helpful, then, to consider free enterprise in terms of itself, minus all the partisan exceptions. The approach here will be to pose five questions: What is free enterprise? What are the objections to free enterprise? How may the objections be answered? What are the practical advantages of free enterprise? Is free enterprise necessary to freedom? The answers to these should provide some perspective on free enterprise.