

# Cato's Letter

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## Entrepreneurs Are the Heroes of the World

JOHAN NORBERG

I think of a paragraph in Ludwig von Mises' book *Human Action*, where he says that the market economy does not need apologists or propagandists. The best argument for the market economy can be found in the epitaph of Sir Christopher Wren, the architect who built and is buried in St. Paul's Cathedral: "si monumentum requiris, circumspice" (if you are looking for a monument, look around you). Look at what he built. Look at his vision. You are standing in it right now.

That, I think, is the best defense that the market economy can ever hope for—that people look around and ponder the amazing things and opportunities that entrepreneurs and businesses have given the world during the last 200 years. Just look around at the health, the wealth, the technologies, the opportunities, and the food on your plates. Could any of that have been possible for a king or a queen 200 years ago?



*Johan Norberg is the author of several books on human rights, economic freedom and the history of liberalism. His book In Defense of Global Capitalism (Cato, 2003) received the gold medal from the German Hayek Foundation and the Anthony Fisher Memorial Award from the Atlas Foundation. Norberg is a senior fellow at the Centre for the New Europe. He gave this keynote speech at the Cato Club 200 Retreat in 2006.*

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The amazing fact is that entrepreneurs and innovators and businesses have turned luxuries that not even kings could afford into low-priced everyday items at your local store. That is the best defense of capitalism.

In a very short time, the world has experienced an extreme makeover. And that is what my recent book, *When Man Created the World*, is about. The interesting thing is that history shows us that freedom works. During 1,000 years of absolute monarchy, feudalism, and slavery, mankind's average income increased by about 50 percent. In the 180 years since 1820, mankind's average income has increased by almost 1,000 percent.

During the last 100 years, we have created more wealth, reduced poverty more, and increased life expectancy more than in the previous 100,000 years. And that happened because of people like you—entrepreneurs, thinkers, creators, innovators—who had new ideas, who traveled geographical distances and, more important, mental distances to create new things and who saw to it that old traditions, which would have stopped new creations, would not stop them for long.

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That is why we have all this wealth. That is why our son, who will be born in January, has a greater chance of

reaching retirement age than children in all previous eras had of experiencing their first birthday.

## Global Spread

In the last few decades of globalization, when new opportunities, technologies, and means of communicating and producing have spread across the world, we have witnessed an amazing phenomenon: developing countries are growing faster than the richest countries on the planet. It took us something like 40 years to double our average income. It takes 10 to 15 years today for China, India, Bangladesh, and Vietnam to do the same thing. They can use the ideas and technologies that it took us generations to develop right away. That is why poverty in the world has been cut in half in the last 20 years.

Every minute I speak, 13 children go from work, toil, and sweat on farms or in factories into schools for education, to have a better life later on and to increase their opportunities.

And every minute I speak, your life expectancy is increasing by about 15 seconds because of the increase of wealth and new medical technologies.

All of this is dependent on innovators and entrepreneurs. The entrepreneur

is an explorer who travels into uncharted territory and opens up new routes along which we will all be traveling pretty soon.

Nothing has existed “from the beginning.” Not even natural resources are natural in any meaningful sense—something that a lot of governments have realized when they have

nationalized oil and gas resources and other things. They had failed to understand that we also need the entre-

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preneurial spirit—the ability to see how to use a resource and how to invest in it in a positive way to make sure that it is used efficiently.

The OPEC countries grew by about 4 percent every year because of their oil resources until 1973, when most of them had nationalized their oil industries. Since then, they have grown poorer by about 1 percent every year.

Fifty years ago a North Carolinian truck driver, Malcolm McLean, thought that there must be a more efficient way of transporting goods and components all over the world. Back then, people would take their trucks down to the harbor. The boat would sit there for a week or so while the unionized work force slowly and steadily loaded every single piece of cargo on the boat. The reverse would happen in the destination harbor.

McLean thought, “What if I use wheel-less boxes and just put all the goods in the boxes and hoist them onto the trucks, drive down to the harbor, and then just put the unopened boxes on the ship?”

In one night, McLean created modern container traffic. He reduced the cost of sending goods and components across the oceans by something like 97 percent. It is possible for us to have a particular kind of computer, with components from all major continents on the planet, the clothes we wear, the food on our plates because of one man and his dream and a culture that did not try to stop him but instead encouraged his dreams and his visions. And developing countries all around the world suddenly have use for their talent and their hard work—to produce what they can produce best, put it into containers, and send it somewhere else.

But technology is not enough. We also need freedom for new technology. Unless governments step out of the way and allow entrepreneurs to do their thing, none of this will happen. We know that, because there are places where modern technologies are not used because of regulations, corruption, and government intervention.

If you are sending one truckload of fruit from South Africa to Zimbabwe, it costs you more in time, bribes, fees to the government, and taxes than it would cost to send the same truckload of fruit from South Africa all the way to the United States.

## Our Heroes

There is a classic work by Joseph Campbell, a book on cultural history called *The Hero with a Thousand Faces*, about heroes in different cultures. Because Campbell traveled the world by reading books from other continents, he could see that there are heroes in all cultures, in all books, in all eras. We need heroes, because they say something about what our values are, what is good, what is great, what is bad, what we should strive for, and what we should try to avoid.

He saw a common pattern. He thought that in most cultures and in most eras the same kinds of things are seen as heroic.

Something big happens, and our hero is forced to go on a journey to fight hostile enemies against all odds with a lack of knowledge of what to

do and when and how. But along the way he makes some friends who help him along and give him the knowledge and the inspiration to do what is right.

Think about that heroic journey once again, and think of the persons I just talked about—people like you, thinkers, innovators, entrepreneurs. What makes it possible for us to buy equipment and goods from the other side of the world? Entrepreneurs face ancient traditions, political obstacles, taxes, and regulations, but they also have friends—people with access to capital, to knowledge, to other businesses. If they are lucky, entrepreneurs succeed. If not, they learn something new, make it even better the next time, and bring to the community something new that changes lives forever.

That is the heroic epic. The entrepreneur is the hero of our world. We do not really need the Frodos, the Luke Skywalkers, or the Buffy the Vampire Slayers. We have the Malcolm McLeans of the world.

But as you all know, that is not really what popular culture thinks of capitalists and entrepreneurs today. If you go to an average Hollywood movie, the hero is someone quite different.

The scientist and the capitalist are the enemies in most Hollywood productions. That is a bit ironic, because we would not have film technology if there were no scientists, and we would not have a film industry if it were not for the capitalists. But they are presented as villains.

Some anti-globalists and people opposed to free trade are now well-paid consultants who sit on the boards of big companies and tell them that what they do is really a bad thing and that they must accept much more corporate social responsibility. In their terms, corporate social responsibility means that what you have done so far is not social. It is not enough to create goods, services, and technologies that increase our life expectancies and save the lives of our children. No, you need to do something more. After making your profit, you need to give something back to society.



Give something back to society? As if the entrepreneurs and capitalists had stolen something that belonged to society that they have to give back!

Profit is not something that we have to apologize for. Profit is proof that the capitalist has given something to society that it cherishes more than the material wealth it has given to the businessman.

I must emphasize that entrepreneurs should never be grateful for a society that gives them license to act, to dream, to innovate, and to create. I think that we, the society, should be grateful to the entrepreneur and to the businessman for what they do. Entrepreneurs are the heroes of our world—that despite the risks, the hard work, the hostility from society, the envy from neighbors, and state regulations, they keep on creating, they keep on producing and trading. Without them, nothing would be there.

## Magic Is Alive

Max Weber, the German sociologist, thought that the modern world experienced a demystification that was very problematic. There was no magic left in the world, with science explaining everything—life, nature, disease.

Excuse me very much. No magic? That is nonsense. I flew here. In 1901 we heard from a very insightful commentator who said that that was impossible. We could not fly. We wouldn't be able to do something like that for at least the next 50 years. That commentator was Wilbur Wright, one of the two Wright brothers, who two years later took the first flight, because he wanted to explore. He took that risk and made it all happen. That is magic.

I have in my computer more power of calculation than existed in most countries 40 years ago. My thoughts are being turned into ones and zeroes that are transmitted through fiber optics, optic cables of glass, thin as a hair, and they come to the other side of the planet a tenth of a second later. And by the click of the mouse, I can order just about any kind of knowledge that exists anywhere in the world.

Above us there are satellites that guide our navigation. And beneath us we have robots that mine metal from rock. We have traveled out in space, and we have read the genetic code within us. We have conquered hunger and disease. So I will say to you: we live in an enchanted world, in a magic world, and it is even more enchanted because the creators and the innovators make it so.

There is vision. There are intelligence, ingenuity, and hard work in

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every good, in every service, and in every technology that we use every day. And we are just barely getting started. We have more scientists alive today than existed in all previous eras combined.

Imagine what free individuals and creators can do with the new breakthroughs in nanotechnology, biotechnology, and robotics. I am sure it will surprise us just as much as flight and computers would have surprised our forefathers. If people take these things for granted, it is only because our everyday lives have become fantastic.

## Well of Freedom

You know the old proverb, “He that has satisfied his thirst turns his back to the well.” Well, that is why we meet and that is why we share lunch. That is why we work and that is why we fight—to remind people of that well of freedom and of individualism, to keep that well from running dry, and to remind people of the reasons more people live longer lives and richer lives than ever, in countries that are freer than ever.

It is customary at the end of a talk to say thank you to signal that it is the end of the talk. I do it when I speak to anti-globalist and Marxists and so on. But this time I really mean it.

I must say thank you for creating this fantastic world. And thank you so very much for your support for the ideas that make it possible.



## *Cato Scholar Profile:* **SALLIE JAMES**

Sallie James is a policy analyst with Cato's Center for Trade Policy Studies. James writes and speaks on a variety of trade topics, with a research emphasis on agricultural trade policy. James holds a Ph.D. in agricultural economics from the University of Western Australia in Perth.

### **What drew you to Cato from the land down under?**

The sort of serendipitous event that makes life wonderful. I was not actively looking for a new job when I found out that the Center for Trade Policy Studies was seeking a policy analyst. After exchanging a few e-mails and telephone calls with Dan Griswold, the job just sounded better and better. I had heard of Cato before, because I am a long-time devotee of P. J. O'Rourke and because I had attended, as a student, a conference held by the Centre for Independent Studies, a Sydney-based libertarian think-tank. So I knew I was coming to a place where there is a serious commitment to scholarship, and to sound principles. I miss my family and friends, of course, but I love America and I love working at Cato.

### **How will the recent dramatic changes in Congress affect trade policy?**

It is a little difficult to tell at this point. Certainly we heard ominously protectionist rhetoric during some individual campaigns, particularly from the Democratic side, but one has to hope that it was partly campaign bluster and that good sense will prevail when the votes are cast. I do think that we can expect stronger language on labor and environmental standards in future trade agreements, and that may make some trade partners reluctant to sign those agreements with the United States. We at Cato will be making all possible efforts to remind policy-makers, whatever their party affiliation, of the benefits of freer trade and the costs to the United States of trade restrictions.

### **How will your work focus on the upcoming farm bill debate?**

Dan Griswold and I released studies on specific commodity policies late last year, and soon this year we will unveil our ideas for a new farm bill. The current farm bill expires in September, and we're hoping that by exposing the costs of current U.S. agricultural policies and the benefits to the country as a whole by reforming them, that we will see farm policy shift in a new, more market-oriented direction. U.S. agricultural policies are partly responsible for the failure so far to reach an agreement on the current round of World Trade Organization talks, which of course has much broader implications than just for agriculture.

### **Are there any good prospects for reform of the U.S. farm subsidy program?**

I think we can expect to see a move away from the most trade-distorting policies, those that link payments to the production of certain commodities, for example, or government interventions that artificially inflate prices. The United States simply cannot afford to continue the farm welfare programs as we know them today. They are hugely expensive, both in budgetary terms—over \$20 billion in 2005—and for the damage that they do to the broader interests of the United States. Consumers and food processors frequently pay above-market prices for some commodities, and the support given to U.S. farmers is a real offense to the rest of the world, particularly developing countries. We're encouraged, though, by the extent and breadth of the opposition out there to the current system.

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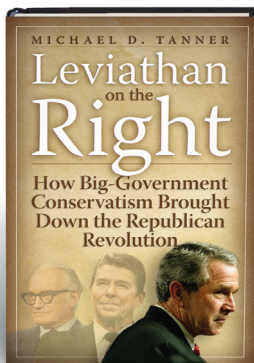
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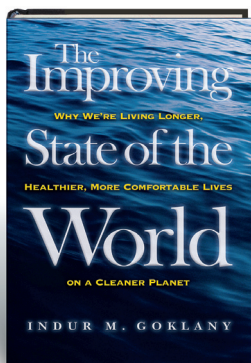


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