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Why do some countries become rich while others stay or even become poor? Why, six hundred years B.C., did the small rocky sea port of Athens become so wealthy? Why did republican Rome amass wealth that much later Imperial Rome lost? Why was Britain the scene of the industrial revolution and not France or Germany? Why did the United States prosper and not the once fabulously wealthy Peru and Bolivia? How do we account for the rise of the German and Japanese economies after the second world war while Great Britain declined? What is the secret of South Korea which has so eluded the North? Why has Singapore done so well? Melbourne at the turn of the century was probably the wealthiest city in the world. Why isn't it now?

The first, and perhaps the only point that can be made with certainty, is that natural resources have very little to do with the wealth of nations, - unless human nature itself is counted as a 'natural' resource. Even then we must appreciate that the British of the post war decline cannot have been genetically much different from those of the industrial revolution, or post war South Koreans much different from those of Japanese Imperialism, nor present day Melbournians much different from those who pioneered Victoria.

Economic theory says that when nations 'efficiently' allocate whatever scarce resources they have the fortune to command, they get richer than when they don't. Debate has ebbed and flowed around the meaning of 'efficiency', and particularly around the ability of the voluntary exchange (i.e. markets) to maximise it. But in general, mainstream economists agree that free atomistic markets do a pretty fair job. They agree that major problems arise only when anybody, - government or private, - has the power to prevent or interfere with voluntary exchanges, or force involuntary exchanges.

Those economists who get their income, and presumably their pleasures, from juggling masses of data, construct mathematical models which represent the real world, or part of it. Once the model is constructed, by changing one of the constraints in it, they get information about what might happen in the real world if the same constraint were relaxed. The models usually predict that if scarce resources were allocated more nearly as free markets would allocate them, we would be wealthier. The models are of course no better than the assumptions which are built into them. With hindsight, their worth may sometimes be assessed from the accuracy or inaccuracy with which they predicted what has become history.

Even in this imperfect world it sometimes happens that politicians do follow the advice of their economic advisers to deregulate. Examples include, world wide reductions of trade barriers in the fifties, the open economies in Germany and Japan just after the war, the freeing of Spain's economy in the seventies, and airline deregulation in the U.S.A. In such cases it almost always happens that the models under-predict growth of whole economies, or small portions of economies like air traffic. It seems that economic freedom offers more to economic growth than just allocative efficiency, which presumably the models account for pretty well.

Deterministic models can't allocate discovery and evolution. There is no place in a mathematical simulation for those things that entrepreneurs might think of if they are free to experiment and rewarded for having a go.

The entrepreneur is a decision maker but he is more than that. A computer can be programmed to make decisions if the resources are given and the relevant information has been processed, but a computer cannot be entrepreneurial. The socialist dream of a maximisation formula that imitates the pricing system of markets, with much better data than is presently available, and with disastrous consequences for human independence and dignity, might one day, be an effective allocative mechanism. But I don't see how it will ever be an engine of discovery and evolution.

The relative economic decline of some peoples, including ourselves, might be at least as explicable in terms of lost entrepreneurship as in terms of misallocated scarce resources. And although it is unlikely that in the space of a generation people have changed much, the rewards for entrepreneurial daring have been whittled away.

For one reason and another governments have involved themselves more than heretofore in the control of prices, wages and productive activity. Individual goals can now be gained, not by competition, investment and innovation alone, but also by winning government largess. Study of the name plates on buildings along Northbourne and Kings avenues in Canberra indicates the changing emphasis of modern Australian management. The entrepreneur, who is engaged in forward looking dynamic competition is being replaced by a business manager who is closer to government than to the market.

Many entrepreneurial activities are actually banned at law. Try to start an airline on one of the major trunk routes and you will be stopped. If you don't, then you will go to gaol. Try to carry paying passengers in your car as you drive to work; try to sell eggs to your neighbours; try to trade on a Sunday; try to grow a new variety of wheat; import shoes; grow sugar at Bullamakanka; fix peoples' teeth; open a boarding house; employ low value labour; or thousands of other regulated activities; and if you persist you will end in gaol.

But if you already own an airline, or a taxi, or a wheat farm, by switching emphasis from commercial entrepreneurship to political entrepreneurship you may ensure that new entrepreneurs never disturb your established ways.

All too often, after they become established, entrepreneurs who were once eager to see barriers removed, demand barriers against the entry of others. As yesterday's entrepreneurs triumph over today's, economic evolution winds down. On the other hand, the countries which prosper are those which allow their citizens the opportunities and rewards of daring.

Bodies like the IAC which make calculations in terms of allocative efficiency alone, grossly understate the cost of government intervention. They should be castigated, not for being doctrinaire free traders, but for saying almost nothing about those additional costs which they can't measure, but which are no less real.