

Economic Insights

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The Entrepreneur as Hero

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What is a hero? For some, a hero represents a person who lives up to age-old values such as honesty, integrity, courage and bravery. For others, a hero is someone who is steadfast or someone who sets a good example to emulate in the future. To many, being a hero means self-sacrifice, even of life itself, for the sake of others. And many find heroic those who are mere celebrities, as these celebrities receive notoriety and attention that anybody might want.

Joseph Campbell, who was considered to be the renowned expert on world mythology and literature, demonstrated the universal path of the hero across time and culture. I venture to speculate that he would probably say that none of the ways I have just mentioned of looking at heroes are wrong; rather, they are incomplete, representing aspects or qualities of the hero.

In his many works, Campbell demonstrated that every society has and needs heroes. Heroes reflect the values we revere, the accomplishments we respect and the hopes that give our lives meaning. By celebrating our heroes, we honor our past, energize our present and shape our future. In studying all known cultures, Campbell discovered that though details of heroic action change with time, the typical path of the hero can be traced in all cultures through three stages.

The first stage involves departure from the familiar

and comfortable into the unknown, risking failure and loss—a venturing forth for some greater purpose or idea. The second stage is the encountering of hardship and challenge, and the mustering of courage and strength to overcome or discover. The third is the return to the community with something new or better than what was there before. Ultimately, the hero is the representative of the new—the founder of a new age, a new religion, a new city, the founder of a new way of

life or a new way of protecting the village against harm; the founder of processes or products that make people in their communities and the world better off.

What I will contend here is that in our modern world, the wealth creators—the entrepreneurs—actually travel the heroic path and are every bit as bold and daring as the heroes who fought dragons or overcame evil.

In the first stage of the heroic journey, we find the entrepreneur venturing forth

from the world of accepted ways and norms. He asserts, “There is a better way, and I will find it.” Unlike many of us who are overwhelmed by the challenges of our immediate world, the entrepreneur is an optimist, able to see more of what *might* be by taking what is here and seeking to rearrange it. Giving up the conclusions of others about what is or is not possible leads the entrepreneur in his quest to go beyond the satisfaction of the present. In this first stage, those who are spurred to risk leaving the familiar world are motivated by many things. Some wish to become rich or famous. Some wish to make themselves, their families or their communities better off. Some seek pure adventure, and some wish to challenge their own limits.

Entrepreneurs are characterized by boundless energy, brimming vision and bold determination to push into the unknown. They are alert, watching for new opportunities to change the status quo, and often through failure develop a better than average sense of timing, learning to balance patience and immediate action. This brings us to the second stage of the classic heroic journey.

In this stage the entrepreneur finds himself in the uncertainty of uncharted territory. All is at stake. The hero self-sacrifices to an idea or purpose or vision or dream that he sees as greater, bigger than himself. His immediate comfort and security becomes irrelevant. No general agree-

Throughout the year, the Federal Reserve Bank of Dallas conducts economic education programs for high school teachers in Texas, Louisiana and New Mexico. The goal is to educate students about our free enterprise system. Candace Allen, a high school teacher herself, delivered the following speech at a teachers' workshop here at the Bank on June 3. She makes the case for treating our entrepreneurs—the spark plugs of our economic engine—as the heroes they are, or should be. They are the risk takers and the innovators who put it all on the line to turn their dreams into our reality. In the process, they enrich us all. At a time when our students and their parents venerate athletes for good eye-hand coordination and rap and rock stars for their own brand of contribution, why not call attention to those among us who put the energy and the strength into Adam Smith's invisible hand?

—Bob McTeer, President and CEO



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ment exists as to just what that greater, more noble sense of purpose must be. In my own profession, for example, an entrepreneurial teacher who wishes to find a more profitable and beneficial way to provide education to youngsters as an alternative to government schooling may have a profound sense of purpose that drives him onward. And yet we within the profession might see him as a traitor. Imagine a teacher getting out from under our protected bureaucratic canopy and setting up an English or an economics instruction firm that contracts out to schools or parents. Regardless of that to which he gives himself up, the second stage of the heroic quest involves the surrender to an intense, driving force.

In this stage, the entrepreneur tackles unpromising resource situations and attempts to fashion present resource arrangements into something different and valuable. Today, the creation of wealth depends much less on discovery of the earth's physical resources and much more on the strength of mind to rearrange and reorganize resources. The entrepreneur's tremendous energy provides him the resiliency to keep coming back after every wrong turn or failure, and his tenacity and enterprising nature are the invisible workings that fuel his efforts that give his ideas tangible form.

This high risk activity is the electric and dynamic discovery process. It is a test bed of ferreting out profitable opportunities. It is in this stage that he is criticized or opposed by those special interests who control the status quo.

The third stage of the clas-

sic heroic journey begins when the entrepreneur returns to community with the hope of successful acceptance of his product, process or service. By buying new products or services, the customer acknowledges entrepreneurial success. The more profit that is generated, the greater the value of wealth produced. Profits are the reward for increasing benefits to individuals in society, and serving in the capacity as wealth creator, the entrepreneur becomes a social benefactor. The heroic entrepreneur will continue to anticipate what the future will demand of him. He is no ordinary business person whose main priorities are simply to turn his profits, avoid losses or seek merely to maintain his market share. Nor does he seek government subsidy or monopoly status. For him, the quest is to venture forth again and again into the unknown to create and bring back that which individuals in society value.

Not all people who venture forth on these heroic quests succeed. Approximately 80 percent of new businesses fail within a short period of time. But we must keep in mind that over three-quarters of all new jobs each year come from businesses no more than four years old. Though large, well-established corporations are more visible, small business ventures are where the entrepreneurial action is. Role models in business bestsellers usually come from large, successful corporations, but Hermann Simon, author of *Hidden Champions: Lessons from 500 of the World's Best Unknown Companies*, argues that little known super-performer companies made

up of two, three or twenty highly entrepreneurial folks have control of worldwide market shares of 50 percent, 70 percent, even 90 percent. For example, St. Jude Medical has 60 percent of the world's market for artificial heart valves. In today's world, it is the *individual* (or small groups of them) who is embarked on the bold quests that are changing the face of society so rapidly.

The lesson offered to us is that the market is a harsh judge, but even so, some individuals are willing to risk failure, and in doing so time and again, they have become successful learning that no defeat has to be final. The cumulative effect of this entrepreneurial attitude is that we can all look to the future with optimism, as opportunities abound for entrepreneurial adventure. Many of the heroes today go unnamed, as their contributions are coming so quickly that the time needed to become well-known individually isn't available. This is all the more reason to understand the *function* of the entrepreneur on the heroic path.

If we all focused on just one or two processes that we take for granted, we would see how much our lives have changed due to entrepreneurial activity constrained by the tight discipline imposed on it through market forces.

When I was a little girl, penicillin had just been developed and mothers no longer were losing their babies to minor ear infections. Television wasn't available, but I remember listening to "The Shadow" through the static and crackle of a vacuum tube



radio. Telephones were still luxuries where I grew up in a little farm town in Colorado called Hugo. My Aunt Luella's number was 17 and I could get her by contacting Alma, the local operator. Long distance calls were a rarity and international calls were simply not made. The first transatlantic cable was not laid until 1956, and it could transmit only 36 calls at any one time. As late as 1966, only 138 simultaneous calls could take place between Europe and all of North America, as compared to the over 1.5 million simultaneous calls between North America and Europe today. Now telephones are everywhere, and many of our students carry cellular phones with them, as casually as I did a bag of jacks or marbles.

And of course, being a Baby Boomer, born in the late 1940s, I had never heard of a computer. It has been estimated that if we had made the same progress in automobiles we have made in computers over the last 30 years, the best Mercedes Benz on the road today would cost about \$1.19 and get over 4 million miles per gallon.

In 1952, John K. Galbraith said, "Most of the cheap and simple inventions have been made." This statement seems pretty silly to us today. The changes we have seen since we were children will pale in comparison to the changes we will see in the next decade.

Why, then, are entrepreneurs typically ignored or downplayed at best, or worse, castigated as the modern "robber barons" who exploit others? Why isn't the entrepreneurial function hailed as heroic?

There are several reasons

why entrepreneurs are more likely to be castigated than celebrated. One major reason for the castigation of successful entrepreneurs lies in the political bias against them. As government control over the economy has grown, so has the incentive for politically influential interests to disparage entrepreneurs. Few, if any, economic forces are more disruptive than entrepreneurship. Successful entrepreneurs make bold leaps that break contact with the familiar and leave behind a clutter of obsolete products and processes. In Joseph Schumpeter's words, creative destruction.

But while recognizing that creative destruction is essential to general progress, each act of this destruction harms some individuals and groups whose wealth is capitalized into the status quo. Each group wants to benefit from the progress that imposes costs on others while being protected against the progress that imposes costs on themselves. But the more groups that succeed in securing such protection, the less everyone benefits from the economic progress that *might* have been. And the larger government becomes, the more it becomes a force against progress. While the entrepreneur with a superior idea can draw large numbers of customers from existing corporate giants in market competition, he can't mobilize large numbers of citizens against government obstacles to that competition.

Another reason entrepreneurs are condemned is that the connection between their innovations and economic progress is often indirect and difficult for most to understand.

For example, few people understand the great contributions made by Michael Milken and Bill Gates. When this lack of understanding becomes political fodder, those entrepreneurs who do the most to promote economic progress are at risk of being depicted as anti-social scoundrels.

A major reason for the hostility toward successful capitalists and the capitalist system that makes their success possible exists for other than political reasons. Few people understand how capitalism works and most tend to see the concentrated costs inflicted by market competition and take for granted the diffused benefits made possible by that competition. Trying to explain how the invisible hand works to folks already hostile to the ideas of competition and profits is not an easy task. Many who are not entrepreneurial resist the idea that the economic system rewards those who create wealth and that wealth is created on the basis of superior contributions.

The most famous of the Austrian school of economics, Ludwig Von Mises, recognized that the person who observes others achieving far greater economic success than he, resists the notion that the creators are more deserving of wealth than he.

Furthermore, educated people's perceptions are influenced more than most realize by the opinions of intellectuals at elite colleges and universities—intellectuals who typically despise what they view capitalism to be and the entrepreneurial energy that propels it.

Within our colleges and universities, academics (like

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every other group anywhere else) like to exert influence and feel important. Few scholars in the social sciences and humanities are content to merely observe, describe and explain—most want to *improve* society, and as Thomas Sowell repeatedly says, they take on the role of the anointed in assuming that they should and can promote social progress through well-intended government action, guided, of course, by their own expertise. Achieving academic distinction by becoming one of the authorities on social change is an opportunity that most can't pass up.

One of the most striking points to make in understanding why entrepreneurs aren't given more recognition is that even the most staunch supporters of the capitalist system often diminish and even dismiss the importance of entrepreneurs. The economists who have developed the sub-discipline referred to as the "new economic history" have been among the most effective at explaining the causal links between the market and economic progress. Yet most of the new economic historians downplay the importance of entrepreneurs and would argue against our placing them

in the category of heroes.

Robert Thomas of the University of Washington argues, for example, that individual entrepreneurs, whether alone or as archetypes, just don't matter. According to Thomas, a successful entrepreneur is no more important to the economy than the winning runner in a 100 yard dash is to the race. The winner gets all the glory, but if he had not been in the race, the next runner would have won by crossing the finish line a fraction of a second later, and the spectators would have enjoyed the race just as much. If Henry Ford or Bill Gates or any other successful entrepreneur had not made his pioneering contribution, someone else would have quickly done so. So, as Thomas tells the story, it is hard to justify special celebration of their accomplishments. But this view ought to be challenged.

Go back to Thomas' race analogy. If the runners and their preparation before and during the race are simply taken as givens, it is no doubt true that removing the winner of the race would do little to reduce the benefits of winning. But the identity of the runners and their preparation and effort can't merely be

taken as a given. They are influenced by the social acclaim and praise afforded the winner. When champion runners are esteemed in the public's eye, those with the greatest talent are more likely to become runners—to train harder and run faster.

The fact that the entrepreneur receives profits if he is successful is hardly a persuasive argument that entrepreneurial motivation is unaffected by public attitudes.

The point I am making here is that the *public attitude* is really a sum total of individual attitudes of citizens. If individual citizens do not value the qualities that make entrepreneurs able to go beyond the limits of what is considered to be possible and do not value the environment that allows and rewards those who do, then those citizens empower politicians and their special interest clients who consistently look for justification to tax away the financial gains of successful creators.

It is no coincidence that over the last century, as public respect for entrepreneurs has eroded, so have the constitutional barriers against what is best described as the punitive taxation of economic success.

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One last reason to explain why, though on the heroic path, entrepreneurs are seldom viewed as heroes. When defining the hero and giving credence to what he accomplishes, the focus is often on the giving up—on the self-sacrifice, rather than on the creation and the bringing back to society that which makes individuals a little or a lot better off. As long as the profit which the hero receives as reward is viewed negatively as part of a zero-sum game in which the entrepreneur benefits at the expense of others, he will be denigrated and at best treated with disinterest.

And when this attitudinal obstacle plays out politically in the form of restrictive government regulations, trade restrictions, monopolized special interests supported by government and high tax burdens, we all lose. ■

Candace Allen has won national, state and local recognition as a teacher in Pueblo, Colorado. Her numerous awards include the 1993 National Milken Award for innovative approaches to education and total quality management in the classroom, and second place in the 1995 Foundation for Teaching Economics National Prize for Excellence in Economics Education competition. Candace has taught language arts and social studies, with special emphasis on economics and psychology. She is active in several professional organizations, including membership on the executive board of the Association of Private Enterprise Education. Her speech, "The Entrepreneur as Hero," was based on an award-winning essay of the same title coauthored with Dwight Lee, who holds the Ramsey Chair of Private Enterprise at the University of Georgia. (Go Bulldogs!)

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