

Advancing Enterprise 2005

4 February 2005

Speech by Carl J. Schramm, President and Chief Executive Officer, Ewing Marion Kauffman Foundation at Advancing Enterprise 2005.

Enterprise Culture.

I'd like to talk a little bit about the last three decades and the unseen revolution -- in the United States, but much more importantly, in the United Kingdom. In the 1970s, the United States' economy was, in fact, rather gloomy. We had tremendous inflation. We had lost our way. We had, I think, begun to fulfill what Joseph Schumpeter described as the long, slow, inevitable walk to socialism in America. We actually look back now from our current perspective and see the miraculous, essential U-turn -- that of having gone from an entrepreneurial economy into what I call the bureaucratic economy of the '70s. That economy was actually celebrated by a great economist John Kenneth Galbraith who wrote a book in the late '60s called *The New Industrial State*. *The New Industrial State* lauded the marriage between big firms and big government. It was the time when novelists were talking about the man in the grey flannel suit, sociologists were speaking of the organisation man, and young children in America imagined that their life was working for Proctor & Gamble, IBM (then a relatively new company), General Electric, and other big monoliths, including AT&T, which of course died last week.

These days kids in America think about working for themselves. If you go ask college students who they're going to work for, well, first of all, AT&T doesn't exist any more. They presume that the great places their fathers and mothers worked won't be around. They're about creating their own new businesses. This is truly a cultural revolution, and if you look at the facts in the United States, there is every indication to believe this -- from both the negative side and the positive side.

Over the last twenty years, our fifty largest companies have shed 35 percent of their labour force. And those top fifty companies actually have been dynamic -- new ones coming in and old ones going out -- which is really quite remarkable, particularly when we compare this to continental Europe. Those fifty companies in Europe are the same companies. Not so in the United States. We have a very dynamic cycle. But even the big companies are shedding jobs and, in fact, in the United States, it is now absolutely apparent that the vitality of our economy, such as it is, is driven by entrepreneurs.

More than half of the new jobs in the United States are created year in and year out by companies that are less than four years old. And we are talking about tens of millions of jobs. There's every reason for a new graduate to think about working in a new and vital industry. When I graduated from college, job tenure in the United States was five years -- you kept a job for five years. Job tenure in the United States is now 3.7 years. It is an economy and a society that are becoming increasingly entrepreneurial.

Now, how does all this sustain itself? I think in many ways this is not only America's particular preserve at the moment, but it is also our gift to the world. And I want to

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say at this point, if the story I tell is revolutionary in the United States, you think about the UK. When I came here on my honeymoon almost thirty years ago, the big story was how slow the UK was. *The Economist* talked endlessly for ten years about British disease. To come into the United Kingdom now is to see an incredibly dynamic economy. I hope you appreciate this. So many times I speak to people in London, in the UK, and observe this and people look at me like I'm crazy. I think there is such an inbred sense (at least at my age and older) that England can't do this, that England can't become the country it has largely become.

I think in many regards the miracle that Chancellor Brown has pulled off is just extraordinary, because if you think of where the starting point was, you were much farther down Schumpeter's inevitable road to socialism. You were out there. You called it socialism; we never did. And the U-turn that the United Kingdom has actually experienced is quite tremendous, and I would suggest much more remarkable than in the United States. Together we actually have to power the future of the world. Much of what we've heard about today, particularly in the Asian economies, is in fact copying the U.S. and the UK economies. And the seventeen new democracies on the eastern edge of continental Europe are expressly copying the UK and the United States. They are, in fact, absorbing our gene code expressly. Public policy is to become a small American economy.

Thus I would suggest that much of what we heard today has to be reheard. What we have to export are in fact the institutions of wealth creation, and the ecosystem has to be conceived of in terms of entrepreneurs. What do I mean by that? We have to get to the kids early. The transformation that's happened in the UK is the same transformation that is happening in the United States. Children think about themselves as creating businesses and creating their own jobs. This is happening and being stimulated all over the country.

The most popular Disney website for children is called hotshotbusiness.com. Millions of kids go there every month; they do business simulations. That's going on all over our country. We are watching a vast transformation in our university cultures. Kids at the college level are now understanding that entrepreneurship is not the preserve of the business school. In fact, statistics that are now widely understood indicate that the university graduates who power the 500 fastest-growing companies are largely from our engineering schools. From our medical schools. They are not from our business schools. A next revolution to watch for in the United States? The reformation of the MBA.

And lastly, I would suggest that we have to come to a sense that what we do as a government is fund education much more widely. I think this is our policy of export. If we want to change poverty, let's build universities in Africa and let the debt resolve itself both that way -- through the wealth creation, as well as through the discussions that the G7 will have in terms of immediate debt relief. But we have to build the instruments of wealth creation in those countries, and we have to tend them carefully.

In the United States and in the United Kingdom in particular, that's our call to the world. We have to worry about education, we have to worry about the

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government continuing to pump huge amounts of money into basic R&D. It is our universities that, not only are the cradle of our next generation of well-educated engineers and entrepreneurs, but also are the cradle of a huge amount of basic research and technologies, and bio-sciences that must power the next generation. Moving this technology out is yet another challenge. But the fact is, we are articulating these challenges clearly. And I am tremendously optimistic that we will get this right, because we know what's at stake -- not only the future of our country, the future of your country, and the future of the new democracies, but fundamentally the future of democratic capitalism, which we know gave us this gift in the first place. And it's for our generation to maintain. Thank you very much.