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2nd Annual TechEx Luncheon
World Congress Center, Atlanta, Georgia
March 1, 1979

Joseph Schumpeter, one of our great economists, in discussing capitalism once stated that:

> "Creative destruction is the essential fact about capitalism... it is, by nature, a form or method of economic change, and not only never is - but never can be stationary.... The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumer goods, the new methods of production....., the new markets, the new forms of industrial organization that capitalist enterprise creates."

Progress, in a system whose foundation is built on capitalism, absolutely depends on the willingness of government to welcome the future of such new innovation. Such willingness makes the prospect of progress endless. Capitalism demands, by definition, that the individual be free from government entanglement within reasonable limits to spend and invest his money any way he pleases, to own property and enter any business or profession that attracts him.

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Given a free society, man's entrepreneurial spirit tells him he has to improve on existing products and processes and procedures if he is to create a competitive edge for himself, or even just meet competition. Stated more simply, the endless progress known in the United States in the past spawned the expression so often heard from immigrants escaping totalitarian governments - "Only in America". It meant hope; it meant promise; it meant the delight brought by surprise! In America, most believed that anything could happen...as it often did happen.

Ironic or remarkable as it may seem to many of you now, Walter Lippman wrote in 1935 that:

> "The liberals believe that no rulers are wise enough to plan the destiny of mankind... they rely upon the initiative, the inventiveness, the endurance of individuals, (and) hold that a wide distribution of responsibility is the surest foundation of a society, that self-reliant individuals will sustain the nation when the governors fail."

While I am optimistic enough to believe that substantially all moderate Americans would find little in the above to disagree with they are now being confused by the appearance of a philosophy not easily identified as being exclusive of the above if carried to extreme.

This philosophy basically contends that the past was inevitable. History is perceived as arising not from unpredictable flows of inventive genius and perserverance but inevitably, from preordained patterns of distribution of resources. For those who doubt the decisive role of genius, courage, and chance in history, the future always appears impossible. They see no way for a free nation to escape decline, decay, and regulation, as its growing population and finite resources press against a closing frontier.

Persons that accept this philosophy seem to have no understanding that the innovative processes that bring revolutionary changes in society and to vested interests involve unpredictablility, long gestation periods, huge

sums of capital, genius and extraordinary perseverance on the part of free individuals and organizations.

An uncomfortable number of our countrymen now pursue the interstices of our society for unregulated areas where some spontaneous act of free will might cause trouble. This they diligently try to forestall, apparently in the hope of establishing in the realm of human affairs a predictability to rival that found in physical nature, where everything happens of necessity, or not at all - a risk-free society.

These are the devotees of what is called "activist government" which, if carried to the final conclusion, must end capitalism through the regulation of all free will. Given the opportunity between improving the operation of the marketplace or intervention in it they call for intervention - an intervention that has now reached the point of measurably endangering the introduction of new consumer products, increasing inflation, decreasing productivity and lessening our competitive posture in international trade where innovation is now the preferred currency of foreign affairs. Innovation is the glue for detente with the Soviet Union, improved relations with China, and our ability to dilute the problems of the Middle East.

What the regulative mind seems to fail to comprehend is that the visibly possible achievements, the clearly available resources, are always limited. All plans based on the calculable present, on existing statistics, necessarily presume a declining field of choice, a contraction of possibilities, an exhaustion of resources, a diminishing of returns--entropy and decay. The only unlimited resource, the one that releases us from all the others, is the imagination and creativity of free men.

Had the proponents of a risk-free, controlled society had a computer in 1879, they no doubt would have predicted that by now there would be so many horse drawn vehicles it would be impossible to clear up all the manure.

The country has made it clear that they wish a serious accounting of the impact of government regulation. The large amount of resources devoted to these activities surely warrant such attention. Moreover, the adverse effects that regulation can have on the cost of living, employment, productivity, capital formation, and scientific progress all underscore the importance of such analysis especially when it is noted that capitalist countries such as Japan, Germany, and Switzerland all having less in natural resources are not suffering the fall in productivity and its negative consequences to the degree seen in the United States.

While close review of regulation might be viewed as salutory, I do not view the test of cost versus benefit as being so well developed or definitive that one should expect any immediate or even long term relief. Who would stand at this time against a regulation whose implementation can be shown to save 1 or 2 lives no matter what its cost of administration or the quality of life of those saved? The real problem seems to me that when planning by the state, and subsequent regulation, is taken too seriously stagnation results and creativity has to be imported in the form of goods or technology, as the Russians and the Chinese approach to the world's capitalist nations now demonstrate.

An extraordinary example of the Executive Branch's failure to understand the innovative process and how regulation effects it is the proposed provision in the new FDA (Food & Drug Administration) bill to release all clinical data supporting market clearance on Agency receipt. The provision is basically supported by the FDA by the argument that the public must be involved in the drug clearance procedure. This implies that FDA is not capable of professional review itself and that a public with equivalent expertise is available and waiting to voluntarily participate in the review process. Balanced against the mere speculation that some useful contribution will be provided by some unidentified and extraordiary public participate is the

absolute assurance that such data will become immediately available to competitors in foreign markets which make up 50% of most drug markets. This single example, and unfortunately others, indicates at least an ignorance of economics or a disheartening bias against industry-or both. But even more disturbing is a failure to recognize that this is a representative democracy not a "Greek democracy" where every decision was to be made in a public forum. The FDA recommendation, therefore can be viewed as not only detrimental to our entire economic well being but an abrogation of leadership in an area where it is desperately needed.

I would add that, if the consequences of the passage of such a provision were explained to organized labor, it would predictably come to the defense of industry. Labor representatives at a recent A.A.A.S. meeting stated:

> "Under no circumstances should any capital-intensive technology be transferred more easily (abroad).....without the lead time that is necessary to keep the U.S. competitive."

It seems difficult to believe that Labor would trade some speculative benefit for the identified loss of U.S. jobs.

Of the thousands of plausible innovations, no matter where originated, only scores are tested by industry, and only a handful of these are economically successful. Because no one knows which venture will succeed, we must strive for a society and an environment ruled by the faith that risk will call forth the endless stream of invention, enterprise and art necessary to resolve our society's problems. To do otherwise, and easily acquiesce in the philosophy of the regulatory mind, can only result in a loss of faith in our ability to meet and prevail in a changing, competitive world and the uncomfortable feeling of dissatisfaction with our daily lives which will inevitably follow no matter how "risk-free". We must seriously concern ourselves that the Doomsday Syndrome will undermine our spirit.

The answer to again raise the "Only in America" belief throughout the world and energize the mainstream of people in this country and to end the malaise that has too long generated an indifference to their government has been known in general terms for sometime. But the answers are not easy since they cover long time spans which those who govern seem unable to commit to. The present is probably a watershed in our history which requires as minimum action.

Lifting the dead hand of taxation and bureaucracy

Possibly more difficult - devising a sensible structure of penalties and incentives on industries that pollute or defile the environment;

Protection of patents and other intellectual property rights necessary to the incentive to invest;

The promotion of educational excellence - above all in science and technology; and - Maintainance of a reasonable balance in our accounts.

If we accept this challenge, the common effort and the common vision-if clearly enunciated-can unite us as never before and America will again become a land of hope, as a whole nation watches the gradual cleaning up of a continent and the progress made in our laboratories and production facilities.

The introduction of S.414, to establish a uniform Federal patent procedure for small businesses and non-profit organizations, ("University and Small Business Procedures Act"), by Senators Bayh, Dole and two dozen of their colleagues from all spectrums of the political arena, indicates an understanding that we must begin our long journey as soon as possible. The Bill recognizes that it is axiomatic that government research and development funds are only seed money in the creation of invention and that additional risk capital is necessary in order to bring a finished product to the market. In order to assure an environment where this capital will be forthcoming, the Bill provides to universities, non-profit organizations and small businesses, the incentive of ownership to any future inventions made in performance of government sponsored research and development contracts.