

Precis of Presentation  
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I have proposed a framework for entrepreneurial capitalism in an international context<sup>1</sup>. When we think about the economic model that prevailed through the last century, which I will refer to here as industrial capitalism (a term that roughly embraces other descriptors including “big-firm” capitalism, bureaucratic capitalism, and the more Marxist nuance of “money” capitalism), we can see that it was indeed composed of three central players. Big labor, business and government coexisted and encouraged a balance of power as a means of achieving equilibrium or predictability. Economists described the balanced duopolies amongst any two players as “countervailing” power relationships.

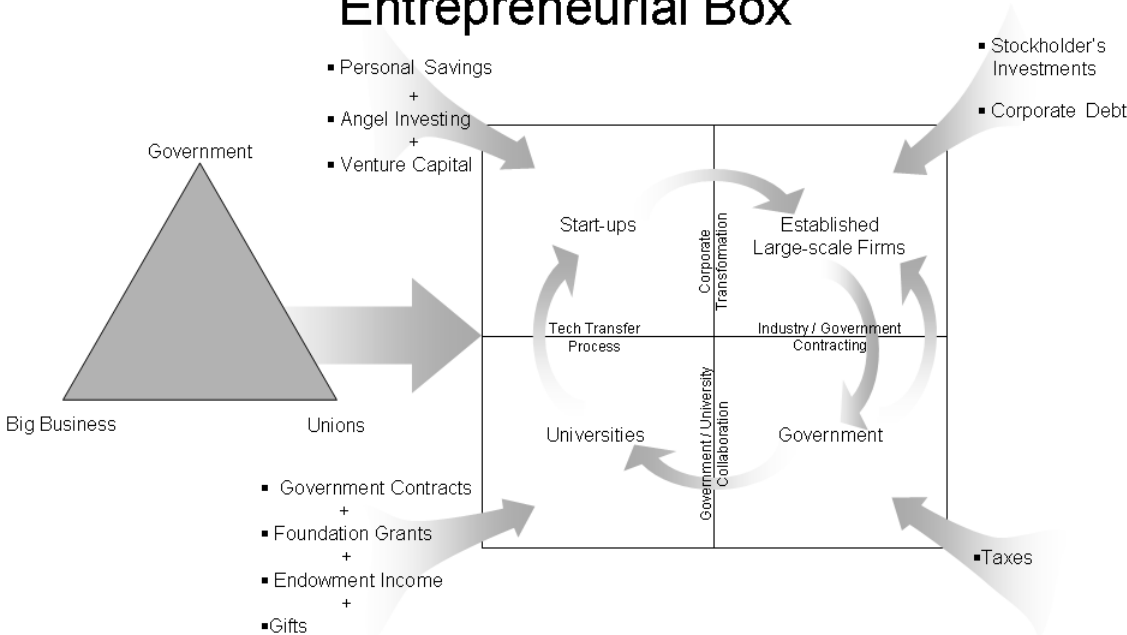
This institutional troika was disturbed during the 1970s and 1980s by several forces that include international economic pressures, tectonic shifts in political power within the U.S., and an unprecedented expansion in human capital that resulted in an unexpected discontinuity in the rate of technological innovation. Contrary to what Schumpeter and others suggested, the American (as well as the British and Irish) economies did not progress toward a more socialist solution. Rather, it now appears that a new alignment of institutional forces emerged to allow a resurgence of entrepreneurial activity. Organized labor lost its former influence as the number of industrial workers in the U.S. declined. Large firms remained important factors in the economy, but those that survived the turbulence of the 1970s and 1980s were not the same kinds of large firms that had existed before: the restructuring movement made many of them leaner and more outsourced rather than heavily staffed and tightly integrated; it made them more flexible and dynamic. And, government ceded a large measure of control as political leadership called for the deregulation of many industries, including telecommunications, airlines, energy and capital markets.

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<sup>1</sup> Carl J. Schramm, “Building Entrepreneurial Economies,” *Foreign Affairs*, July-August 2004, at 104

We can envision the shift from industrial capitalism to entrepreneurial capitalism (a positive descriptor of the “post-industrial” period) with the aid of Exhibit 1. Here we see the emergence of an economy driven by *four* institutions. Large firms and government continue to be prominent, although playing their parts differently. (One of the key roles of government in the new system is the funding of basic scientific research, which it has been doing increasingly since World War II, and which is now seen as pivotal.) Organized labor fades from the picture, while entrepreneurial firms and universities assume roles of much greater importance (the latter, in large part, because of their creation of intellectual property that is routinely commercialized). In the emergent system there is less of a concern for equilibrium among the four institutions. Rather, each appreciates its dynamic role in moving the economy forward in ways that cannot be foreseen. Indeed, one hallmark difference between the two economic systems is that the predictability and order of bureaucratic capitalism is being replaced by the unpredictable and “messy” nature of entrepreneurial capitalism. The illusion of certainty and control that attended the balanced trivet of big companies, unions and government is replaced by the disruptive forces of entrepreneurs who have little taste for certainty. Moreover, entrepreneurs display an active antipathy toward bureaucratic control, as we shall see.

# From the Industrial Triangle to the Entrepreneurial Box



- Personal Savings
- +
- Angel Investing
- +
- Venture Capital

- Stockholder's Investments
- Corporate Debt

- Government Contracts
- +
- Foundation Grants
- +
- Endowment Income
- +
- Gifts

▪ Taxes