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Real do-gooders

By Richard W. Rahn

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If you wanted to become really rich, yet at the same time help your fellow man, what would you do? There is no contradiction. The answer is -- start a business -- where you provide employment to others and also provide a new or improved good or service, or an existing good or service at a lower price.

Thomas Edison invented the light bulb, and hundreds of other things that made life far better for his fellow citizens. He also started the General Electric Co. to produce many of his inventions and became a very rich man. Sam Walton and his colleagues developed greatly improved and much lower cost distribution systems -- which have been copied by Wal-Mart's competitors -- and everyone can now buy goods at lower prices which, in effect, means that all of us have higher real incomes. The Walton family became very rich by giving the rest of us lower prices, but they also created several hundred thousand jobs for others.

The new annual Forbes list of the 400 richest people just came out. Many people on the list are entrepreneurs who, like Edison and Walton, have made life better for almost everyone. Even so, some who do not understand the process of wealth creation have the mistaken belief that if some have more, the rest of us must have less. Don Boudreaux, chairman of the George Mason University Economics Department, referring to a couple of the mega-billionaires on the list, correctly noted: "Google founders Sergey Brin and Larry Page never once took anything from me or anyone else. Instead, they created wealth by producing a product that improves my and millions of other people's standard of living. Had Messrs. Brin and Page not created Google and earned their wealth, I and these millions of other people would not be richer -- we'd be poorer."

A major reason the U.S. has higher employment and lower unemployment than more socialistic countries is that we welcome the entrepreneur who creates the new jobs. Job creation is highly correlated with economic freedom. Those countries that put up unnecessary barriers for entrepreneurs trying to start businesses, in effect, destroy huge numbers of potential jobs.

The World Bank has just released their annual ranking of the "Ease of Doing Business," because they know that the easier it is to start a business, the more jobs will be created. The report states: "Starting a business is a leap of faith even in the best of circumstances. Governments should encourage the daring." They laud those countries that have simplified business regulations, strengthened property rights, reduced exporting and

importing costs, eased tax burdens, and increased access to credit. They note: "Such reforms allow firms to grow faster and create more jobs. An increasing number of those jobs will be in the formal economy because the benefits of being formal often outweigh the costs [such as taxes]. And more formal jobs will mean that more workers are protected by pensions, safety regulations and health benefits."

It is no surprise that the 10 countries, Singapore, New Zealand, the United States, Canada, Hong Kong, the United Kingdom, Denmark, Australia, Norway and Ireland, in which it is the easiest to start businesses, are all rich countries. The countries that make it most difficult to start businesses through time-consuming and costly bureaucratic regulatory and tax hurdles are all poor. Countries, like Estonia, that have greatly reduced the impediments to starting a business are rapidly becoming rich.

The "real do-gooders," in the sense that their actions really do alleviate poverty and make life better for their fellow man, are entrepreneurs who create real jobs, goods and services that make our lives better, and those political leaders who have reduced unnecessary regulations and strengthened property rights, such as Margaret Thatcher, Ronald Reagan and Mart Laar (the former Estonian prime minister who led the reforms in his country).

In the age of the Internet, it should be possible for people in any country to do the legal paperwork to start a business in a matter of hours at very low cost (as it is in some states in the U.S.). Yet, in many places in the world, it takes many months and, in some cases, years and a great expense to create a legal new business.

Governments cannot create jobs; they can only destroy jobs in the private sector by increasing taxation on the productive to create a "new government job." Many of those who attack Wal-Mart or other business people for not paying "high enough" wages, or the rich for not paying "enough" in taxes, have never created a productive job in their lives, nor have they ever had the imagination or energy to create any new good or service to make our lives better. Yet, they often refer to themselves and are indeed called "do-gooders." What a perversion of the language.

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