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THE SPIRIT OF ENTERPRISE

I thought of George Gilder this week when I was doing some research on a new U.S. constitution written a few years ago by the Center for the Study of Democratic Institutions, an offshoot of the Ford Foundation. Article IV, Section 5, would provide grist for Gilder's mill of examples of the arrogance of the intellectual elite in thinking that they can plan our economy better than the free market.

This proposed constitution, written by Rexford Guy Tugwell and published under the title "The Emerging Constitution," would inflict upon us a fourth branch of the Federal Government called the Planning Branch. Its purpose would be, the proposed constitution says, "to advance the excellence of national life, to anticipate innovations, to estimate their impact, to assimilate them into existing institutions."

It is colossal conceit of those pseudo-scions of inherited wealth who run the tax-free foundations to think that they can "anticipate innovations." As George Gilder shows in his new book, "The Spirit of Enterprise" (Simon & Schuster, 1984), the innovations which advance our prosperity are the unpredictable near-miracles which result from the energies of creative men with capital who have freedom to pursue their dreams.

Our "excellence of national life" has been advanced further by the electric light bulb, the airplane, the transistor, petrochemicals, antibiotics, and the computer than by any act of government save only the adoption of our U.S. Constitution in 1789.

In his previous book, "Wealth and Poverty," George Gilder provided a positive credo for capitalism, showing that the key to wealth is work, family and faith. In his newest book, he shows how economic progress, real wealth, and rising living standards are the handiwork of the entrepreneur, a creature whose habitat is freedom, and who creates opportunities rather than just looking for them.

George Gilder's stories of modern American entrepreneurs are so exciting that he might have called his book "The Romance of Entrepreneurship." He tells them with drama and colorful prose, whether describing Henry Ford who taught us that high profits come from low prices and high wages rather than from charging what the traffic will bear, or

the computer entrepreneurs who are now improving our lives in a thousand ways.

J. R. Simplot went west in a covered wagon, cleared the sagebrush, and built a great empire supplying Idaho potatoes for the French fries with McDonald's hamburgers. John Masters, independent explorer, discovered the largest natural gas basin in North America.

Gilder recounts the thrilling achievements of the Cuban immigrants. Castro expropriated all their material goods and life savings, but they fled to America with real capital, that is, their entrepreneurial spirit. They built a new prosperity not only for themselves but also for the natives of their new homeland, and today there are some 10,000 successful Cuban-owned businesses in what had previously been inner-city blight.

The economists won't like this book, nor will the professors of the ivy league colleges and prestigious schools that annoint their graduates with MBAs, because Gilder shows that those are not the gardens where entrepreneurs grow. 'Twas ever thus; when I was studying at Harvard in 1945, the prevailing theory of the economics department was that America had reached a "technological plateau," that future economic progress would be only marginal, that we were doomed to a static society with no increase in jobs.

Gilder tells how the economists and other intellectuals in the 1970s preached a "religion" of scarcity, austerity, and depression; they predicted we were running out of energy and that only "central planning" could avert catastrophe. But mirabile dictu, a simple change was made in our tax code in 1978: the capital gains tax was reduced.

All of a sudden, creative men were able to find capital to finance their hopes, their risks, their innovations. America's entrepreneurs rode to our rescue, and their new ideas and new businesses launched a broad economic recovery.

In the 1980s, new companies started at the rate of 600,000 a year. Even the energy crisis was solved, not by the large oil companies or government planning, but by thousands of wildcatters and a few entrepreneurs.

Gilder describes how our tax system works to commit euthanasia on the entrepreneur. Once he has made a little money, taxes force him to lavish his energies and money on lawyers and accountants, and then to hide his capital in tax shelters.

All of us are dependent for our prosperity and progress on the creativity and courage of the few men who take the risks which generate our riches. America can continue to grow only if our tax system encourages the entrepreneurs -- the real heroes of America.