

How and Why of Promoting Entrepreneurship Abroad
Hoover Institution
Stanford University

Condoleezza Rice: Transformational Economic Diplomacy

Ron Spogli: Thank you very much, Richard. Thank you very much. I have been asked to introduce our next speaker, someone who hardly needs me to introduce her. But I have that distinct pleasure. Just as the origins of this particular seminar go back to Italy, the origins of the name of our next speaker also have, uh, and Italian flare. Not only was Secretary Rice, in her career, a consummate academician, an extraordinary public servant of the United States of America, but very relevant to our function today, she's one of the few people who combine those two extraordinary talents with a major experience having run a major institution like Stanford University as provost. And if you think running a university, being the Chief Operating Officer is an easy affair, I can assure you based on everything I know, it's probably the most complicated thing anyone would ever want to do. It gives me great pleasure to present Secretary Condoleezza Rice.

Condoleezza Rice: Now, as I understand it, I have a few minutes to speak to the question of how and why of promoting entrepreneurship abroad. But, of course, since I am an academic, I'm not going to actually answer the question that I've been asked. I am going to ask another question and answer it. And that is, "Why now promote entrepreneurship abroad?" I don't think there's ever been a more important time to promote entrepreneurship abroad, to bring entrepreneurs together across global boundaries, to encourage entrepreneurship here in the United States and abroad.

And that's because the great economic crisis that our country is undergoing, and there is no doubt that it is deep and broad. The great economic crisis is having all kinds of economic effects. That's quite obvious. It's having institutional effects. I think there are few of us who though we would be talking about the U.S. government being involved in depth in the auto industry, for instance. So it's having big institutional effects. But its having an effect that I think we need to remain focused on. And that is that it has brought a challenge to the very model of economic development that has really dominated international economics for the last twenty-five or thirty years, really since the collapse of communism, since it was clear that statist models did not produce economic growth. The dominant economic model has been one that believed first and foremost in private-sector led economic growth that believed in open trade, free trade, that believed in open markets believed in the ability of individual entrepreneur to use creativity and innovation to press forward; that believed in low taxation; that believed also in low regulation.

That was really the model. It was embodied in what was called initially the Washington Consensus in development circles that gave way in 2004 to the Monterrey Consensus. But it was linked up not just with an economic mode of development, but also a political mode of development, which was that democratic governance went side-by-side with this more open, private sector-led economic growth. In fact, I believe that President Toledo and I, and President Bush had many, many conversations of the importance of this model in Latin America. And this model was not just a model. There were real countries that adopted this model in Latin America.

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Countries that really did promote free enterprise and believed that free enterprise would lead to economic growth, to job growth, and then to social well-being for the people.

And so, democratization and this economic model that was private-sector led were very much dominant and very much interlinked. That is why, today, with that model under challenge and under question, a lot of the countries that are under challenge and under question are some of the most important for the United States. Whether it is a country, a big country led by a man on the left, Brazil, which very much adopted this free enterprise, open-markets, low-taxation, approach, or countries like the Baltic states, which went to flat taxes at ten percent in order to attract foreign investment; countries even like places in Africa that were trying, on a small scale, to promote entrepreneurship.

Whether it was entrepreneurship of a small textile worker in a village that was able to make the whole village somewhat more prosperous by getting, perhaps, a low-interest loan, a micro loan, and then allowing entrepreneurs to work, and then develop an entire industry for that. These were all countries that were devoted to this model, and that began to organize themselves around this model and to defend it.

Many of them are now under attack from what I will call the re-emergence of what I call a "socialist-populism," which says: "no, no, no, capitalism was actually a big mistake. In fact, it really was the government that needed to lead economic growth – we need heavier regulation." Clearly, there will be bigger regulation because of what we've been through. But the question is: how much regulation? What will be levels of taxation? And perhaps most importantly, what will be the attitude to openness across borders for free trade.

Now, we tend to think of free trade as the movement of goods and services. It is about the movement of goods and services. But it's something more. The free trade regime is also a set of institutional mechanisms that permit that trade to exist across borders, like rule of law; things like intellectual property rights; things like common safety standards, all of which embodied in way or another in the world trade regime. And so a lot is at stake as this modeled is being questioned.

Now, I don't believe that this model will ultimately be rejected. What, after all is the answer? Go back to central planning? Uh, no. To go back to socialist populism? Probably no. But, if there are not strong enough advocates for this model of private sector led growth, open markets, open trade, entrepreneurship, creativity, innovation, risk-taking, which has become a bad word – risk-taking. If there is no advocacy for this, what will happen is that it will be shaved, and shaved, and shaved, and shaved, and when we emerge from this economic crisis, which we will, you will see that we've thrown the baby out with the bathwater.

Now, that's the 'Why now?' The other point that I'd like to make is 'How?' First of all, to mobilize entrepreneurs themselves, which is why I think that this conference is extremely important, and the Silicon Valley is a great place to do it. If you'll pardon my saying so, now when people think of New York, they think of financial services and the collapse of the great houses. And, there's a tendency to equate the financial engineering that became problematic, with capitalism. That is capitalism. Well no, capitalism is what is being done here. Capitalism

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are the young entrepreneurs that I just met out in the courtyard who want to get a business started, who are prepared to take the risk, who are going to make the innovations of the change.

After all, entrepreneurship, small business was Google at one point. It was an idea. It's no longer a small business, but it began as an idea. So, the Silicon Valley, I believe, can represent more than, can represent a different message about capitalism. It's capitalism, isn't also big industry that that is being ground out, and frankly, bailed out by the United States government. It's people willing to take risk, on the basis of good ideas, to innovate, to grow industries, to thereby grow jobs, to be willing to go across borders, to be willing to have here some of the best and brightest from around the world, and if I go around this room, I'll find people from all over who have come here because it's a magnet for ambitious, risk-taking people. That's why Silicon Valley is important. So that's the 'Why now?' and that's the 'Why here?'

Now the 'How?' I used to be Secretary of State. Nice thing about not being Secretary of State now is I can read the newspaper and not think I have to do anything about what's in it. (laughs) But one of the things that I loved most was representing the United States in what I call Transformational Diplomacy. And the idea of Transformational Diplomacy is that diplomacy is not any longer sitting and reporting about politics in some foreign country. Transformational Diplomacy is not about going to the foreign ministry and spending hours and hours with foreign ministry officials. Transformational Diplomacy is about American diplomats, from the ambassador all the way down, getting out and being with people in countries who want to better their lives.

It's about building bridges between Americas, not American government officials, but Americans and other people. And so, it is Americans who want to work in an AIDs clinic. It's Americans who want to help that entrepreneur in Zambia, or that entrepreneur in the highlands of Guatemala – the subsistence farmer who's not got a small business that's actually vertically integrated agriculture. It's about the American who wants to, the American diplomat, who wants to help Estonia with its e-government commerce work that the Estonians are now famous for. Transformational Diplomacy is about getting out of the embassies and getting out into the field and actually working with people. Our embassies can be a platform for doing that, and I think increasingly they are. That, then, is the 'Why now?,' the 'Why Here?,' and 'How' about promoting entrepreneurship abroad.

But let me just close with the following: This is also a time that what is needed most in the United States and abroad, is optimism, again. Belief that we're going to get through this, and when we get through it, things are going to be better. Now, you can't be a person who's pessimistic, and understand why the United States of American ever came into being. There's no reason that the thirteen colonies on the eastern seaboard would write that audacious little document called the Declaration of Independence, and proceed in defeating the greatest military power of the time.

Optimism is those people who crossed the continental divide in covered wagons. You ever been across the continental divide? Optimism is people who's ancestors were considered three fifths of a man, like mine were, and who grew up, as I did, without a white classmate, until we moved to Denver, Colorado when I was twelve, and yet, somehow, grew up to be Secretary of State of

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the United States of America. Optimism is the background of my friend Alejandro Toledo, who came from the humblest of circumstances, and from an indigenous background to be the president of Peru. Optimism is that the Soviet Union, with all of its great power, and its nuclear weapons, and its armed forces, could collapse without a shot in 1991 on one December night.

So, when we get pessimistic about where we stand right now, I say to people: ‘try to think back in history to those moments when you could have been a pessimist many, many times over, and you didn’t let it bring you down. And, you know what else... it’s not just in history. There are men and women everyday in this country and abroad, who are optimists – they’re called entrepreneurs. You cannot be an entrepreneur, unless you are an optimist. That, ladies and gentlemen, is the ‘Why now?’, the ‘Why here?’, and the ‘How?’ of promoting entrepreneurship abroad.

Thank you very much

(Applause)

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