**creative destruction -** the paradox that innovation begets disruptive processes which, in turn, allow change and progress to occur A society based upon freedom provides us all the opportunity to be creative, even if that means threatening existing social, political and economic structures. Entrepreneurship is just experimentation within an economy, and freedom is critical for entrepreneurs trying to bring new commodities, technologies, supplies and forms of firm organization to fruition. The projects they undertake may succeed or fail, but it is up to those individuals who freely choose to undertake risks to reap the rewards or penalties associated with them.

Entrepreneurs undermine existing industries; creating whilst destroying. To do this, they must operate with relative and absolute liberty – they must be free to enter into the economic fray – and the consequences don’t always please those currently holding economic power. While many believe that large corporations are free market entities this is not necessarily true. A well-established corporation might prefer to avoid free markets, because new competitors could threaten their current profits and power. Hence, established firms may choose to use the political system or their influence with suppliers or customers to shield themselves from the disruptions that competitive forces unleash.

Where truly free competition is embraced, entire industries are eclipsed by new goods, new services and new economic sectors. You likely book your airline flights on the web using Orbitz, Travelocity, Kayak and Expedia, while the travel agent industry disappears. In the music industry many local bands by-pass traditional music recording studios and marketing channels in favor of at-home CD production and web distribution. Older publishing machinery gives way to computerized presses as employment opportunities shift to those with skills in producing the technologies rather than those who run presses. Today, a young, independent filmmaker can fill her entire equipment needs for about $20,000, and the monolithic days of the old Hollywood sound studio’s recedes. The preservation of foods in lead-sealed cans yields to far safer roll-crimped tin cans, which in turn gives way to two-piece, extruded aluminum cans. Whale oil losses its importance as a fuel for lanterns yielding to kerosene, which in turn yields to the incandescent bulb and then, to fluorescent bulbs. All of these industries had their time and place; but continual progress creatively destroys them all. It is critical to recognize that each of these painful changes brought consumers new choices and options, often accompanied by improvements in safety, health and efficacy.

Technology is but one tool that has enabled many of these changes to occur. In an open and free society, old hierarchical forms of firm organization become calcified, bureaucratic behemoths and give way to flattened forms of firm organization. Home Depot, Staples, Blockbuster, and Best Buy all draw on new forms of business organization and new computer technologies to deliver products to consumers with wider choice, greater convenience and lower costs for customers. Under dynamic (creatively destructive) economic forces, no current form of business organization can rest on its laurelled past. Blockbuster provided improvements in consumer choice and price competition causing discomfort for thousands of small businesses but today Blockbuster faces new and significant competitive pressures for Netflix and other web-based entertainment delivery methods.

All of these changes are upsetting for those in existing jobs and industries, but they also offer immense opportunity. Metalworkers were once highly-paid, skilled workers who were critical to building airplanes; today, the demand is for technicians and engineers who can work with composite-based materials. One hundred years ago, women were relegated to the home, and the work was long, arduous and likely life shortening. Clothes were washed (infrequently) with cast iron kettles and scrub boards, then hung on clotheslines to dry. The development of household conveniences such as electric and gas stoves, washing machines, dryers, and dishwashers has reduced household workloads tremendously. With fewer hours of household labor to perform, women had time to devote to other pursuits, including paid work outside the home. These and other changing, dynamic forces significantly increased labor force participation rates among women which rose nearly 15% between 1970 and 1990.Economic progress, playing out under the forces of creative destruction, has allowed significant social and economic change to occur. With respect to individual liberty, it is important to recognize that the decisions made by entrepreneurs, capitalists, and consumers alike are based on free will. Men and women, allowed the liberty to make their own choices, without coercion and threat of force have brought improvements in their own lives and the lives of those around them, and those improvements continue as more choices are made available to more people around the world.

### Related Links

### [Wired Magazine: The Father of Creative Destruction](http://www.wired.com/wired/archive/10.03/schumpeter.html)

[Wither the Women?](http://www.washingtonpost.com/wp-dyn/content/article/2006/07/06/AR2006070601421.html)

[Rediscovering Schumpeter: The Power of Capitalism](http://hbswk.hbs.edu/item/5619.html)