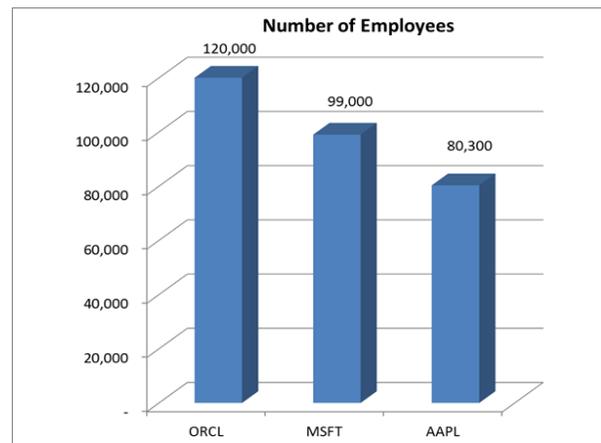


Creative Energies

In 1958 Leonard E. Read, the founder of the Foundation for Economic Education, wrote an essay entitled “I, Pencil: My Family Tree as told to Leonard E. Read”. In the essay, Read extolls the virtue of the free market through an example of how millions of people, largely unknown to each other, and each acting in their own self-interest, combine their efforts to produce a seemingly simple product- the ordinary wooden pencil. The text of the essay can be found [here](#). In addition, the Competitive Enterprise Institute has produced a short animated film adapted from Read’s essay that can be seen [here](#). Read concludes his essay: “The lesson I have to teach is this: Leave all creative energies uninhibited”.

We contend that the principles contained in Read’s essay are as relevant in the current era as they were in 1958. As an illustration of the power of the “creative energies” Read cited, we’ll look at several examples from the technology sector.

Consider that three large technology companies of today, Microsoft (MSFT), Apple (AAPL) and Oracle (ORCL) did not exist prior to 1975. They were founded in 1975, 1976, and 1977, respectively. From their founding, each subsequently became a publicly-traded company. So how have they done? The two charts below display a couple measures of the success these enterprises have created. The first chart shows the market capitalization of each company (i.e. the value ascribed to each by their current common stock value). The second chart shows the total number of employees for each, as reported in their most recent filings with the SEC.



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It is rather remarkable that in less than forty years, from nothing other than the vision and creativity of the founders, these companies emerged. Worth hundreds of billions of dollars, they employ hundreds **of thousands, and provide products and services to hundreds of millions around the world.**

Not reflected in either of the above measures, is the immense value these companies added to the overall global economy. By providing tools that enhance productivity, the economic wealth of millions was undoubtedly improved.

Of course the results of “creative energies” applied in free markets are not limited to the technology sector. Many similar achievements have occurred in medical, consumer, industrial, energy, and other sectors. Examples in consumer goods alone include companies such as Starbucks, Netflix, Whole Foods Market, and Tesla.

For all its purported faults, the free market in fact seems to function pretty well. The “creative energies” thriving in a free market provide not only opportunities for investment returns, but produce products and services that enrich and enhance our lives every day.

Who knows? , the next time you’re enjoying your latte from Starbucks while using your iPhone you may be jotting down notes with a (not so) humble pencil.