

## **Fedex Dreamers and centralization.**

Policies are made centrally, but lives are lived individually. The confluence of these two facts is where it gets interesting.

In the early 1960's a generically-named university business student, Fred Smith, (his real name) wrote a term paper outlining his rough ideas for a massive centralization project. In the paper he mused about a fictitious company – that's what generically-named business students do --- they conjecture constantly about the ever-present "ABC Company who makes Widgets in Anytown." Anyhow, Smith mused that this particular widget hub would centralize the flow of parcels and business mail in to one enormous warehouse, then redistribute it all – daily. Yes, daily. It was a whopper of a dream. The professor was unimpressed, giving him a "C" for his work. Dreamers. Who can stomach them?

But Smith believed. A few years after graduating, he invested his entire family inheritance, (a reported \$4 million US), along with significant venture capital he collected to start the fledgling business. Originally he wanted to do contract work for the Federal Reserve System, transporting, sorting, and rerouting cheques, but the Fed – like his professor, was not buying it. Nevertheless, he hung on to the name, Federal Express, which he had originally designed to flatter that important target client.

In a 1979 interview with the New York Times, Smith said, "People thought we were bananas. We were too ignorant to know that we weren't supposed to be able to do certain things."

Despite heavy start-up advertising, the company's 14 very expensive Falcon jets delivered less than 200 packages in the first day of operations. Within the first three months, the company had lost tens of millions, and although things improved a bit, the company lost \$29 million in its first two years of operation.

Around this time, a cash crunch hit Smith hard. Creditors shut the taps off, and on a Friday afternoon he had just \$5000 in cash, well short of the \$32,000 he needed to fuel the planes the following Monday morning. Instead of taking a flight home to Memphis, he reportedly took the \$5000 and flew to Las Vegas, and there wrestled the Black Jack tables all weekend with the last of the company cash. His Hail Mary paid off. By Monday morning he had won the required cash, and FedEx had the required \$32,000 in its bank account.

The rest is history. In 1984 Federal Express surpassed \$1 billion in revenues, and to anyone who has paid attention, has been a resounding success story of innovation and perseverance.

About 45 years before Smith wrote his term paper, another team of dreamers took the reins over an even more wistful centralization project, motivated by purportedly more altruistic ideals – to level the playing field for millions of impoverished Soviet families. The ostensibly benevolent ends justified – at least in the minds of those in charge -- a firm grip on every aspect of the massive economy. Seizing control of the labour, land, and capital, the ruling minds tried to manage the economy – but did so with what might be described as a cement fist. As the Russian couplet goes: "'To chop down a forest splinters will fly".

The project persisted, not due to its eventual blossoming, but to its unyielding power structure. There is just no getting around the fact that planning a long-term economy from a central location might work for ants, but will never work for humans. Said another way, the human spirit is far less breakable than these dreamers ever imagined. And what can be said of a system that required that spirit to be broken in order to succeed? Eventually, it failed, not because the power structure gave in, but because the dream failed to predict the unwieldiness of centrally-planned meals for millions of people, not to mention, shoes, homes, jobs, and so on. At some point, if the system does not morph in to something organic – free-flowing -- the puppet strings snap under the weight of their masters' preposterousness.

In Soviet life, an entire sub-culture grew up waiting in line for several hours each day just to obtain the basic necessities of life. The concept of slipping quickly out to buy something was just never a thing. To

obtain a material good with great difficulty, was not about the adventures of ingenuity or productive labour so much as shuffling along for hours, waiting for your turn to pluck a scanty takeback.

Not all dreams come true. No matter the system of economy, some ideas flop. Some corporate, and some government centralization projects are notorious blunders, and ongoing sources of calloused nerves for us end-users (try calling your bank or insurance company lately?) But a system which promotes free expression of dreams, and which does not rely on helicopter-parent style of governance, is more likely to succeed in the long run, no matter the purity of its intentions.

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