
The Entrepreneur

The Belden Center for Private Enterprise
Education

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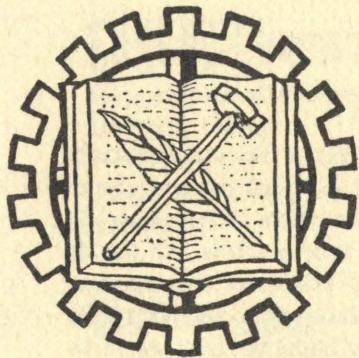
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A Newsletter of the Center for Private Enterprise Education
Harding College Department of Business and Economics

The Entrepreneur

—At a time when history's greatest economic miracle, American capitalism, has become a casualty of misinformation, little information and no information, "FREE ENTERPRISE: The Greatest Story Never Told [Until Now]," a 200-page product of the Harding College student-faculty economics team, captured top honors in the Mid-South Regional Intercollegiate Private Enterprise Education competition in May, 1976.

—In September, 1976, the Harding College Business and Economics department launched the new Center for Private Enterprise Education with Dr. Don Diffine, Assistant Professor of Economics, as its Director. The Center's goal is to collect, write and disseminate positive, nonpartisan, balanced literature on topics of current interest. Setting up a library of private enterprise-related books and literature is now part of the Center's function.

—In order to provide our constituency and alumni with information on current economic topics that they, in turn, can use in their professional lives as opinion leaders, THE ENTREPRENEUR, as a new publication, takes the approach that economic individualism, private property and the market economy are not just neutral concepts. They are, in fact, worthwhile and attainable goals. From time to time, THE ENTREPRENEUR will also feature quotes from campus speakers, articles by staff members and updates on current Business and Economics Department programs and endeavors.

American Capitalism As An Economic System: A Perspective

by D. P. Diffine, Ph.D.

Throughout the early 1770's, as the conflict between England and her American colonies grew more intense, a brilliant Scottish moral philosopher and economist, Adam Smith, quietly worked away on what was to become the world's first great text on economics.

Then, in the spring of 1776, just before the colonial leaders began to draft the Declaration of Independence, Smith's magnificent book, *The Wealth of Nations*, was published. A powerful argument in favor of private, competitive enterprise — and against the government intervention in economic affairs which England practiced at the time — the book helped usher in a new economic era: the age of Free Enterprise.

This country has built a unique economic society based on individual freedom, initiative and responsibility

operating private, competitive enterprises. It is called the "free enterprise system" for short. Free enterprise means that any person in this country is free to start, own and operate a lawful business, with a minimum of interference by government. Our Constitution guarantees this. The only governmental regulation contemplated under our Constitution is the minimum necessary to protect the property, livelihood and life of each citizen.

Free enterprise is a way of meeting our needs and wants by providing them ourselves or by freely entered-into transactions with others. The individual is "free" to be anything he wants if he is "enterprising" enough to do it. Perhaps we often put too much emphasis on "free" and too little emphasis on "enterprise." It is a package deal of individual liberty and private property. They stand or fall together. Free to earn your keep and to keep what you earn is what it is all about.

The most basic institution of free enterprise is private property. A second ingredient of free enterprise is free access to the market. The motor of free enterprise, indeed, of all enterprise, is individual initiative. The great regulator of free enterprise is competition.

The essential pressures between divergent groups in a free economy are threefold: (1) the freedom of the worker to get as much as others are willing to give, (2) the freedom of the owners of business to charge as much as customers are willing to pay and (3) the freedom of the customer to pay as little as possible. Out of this three-cornered conflict comes voluntary compromise of self-interest. You may not be happy about the compromises you make, but at least you make them voluntarily. They are yours to make.

Freedom of exchange is vital in a market economy. The will of the free customer is the automatic police force, the never-ending purge and the supreme court of a free economy. Nothing can stand before it; nothing can defy it; nothing can circumvent it. The marketplace, despite its shortcomings, is the finest calibrated, most effective regulator of the speed and direction of our highly successful economic system. We ought to do something about preserving it.

At the same time, there are many things that free enterprise is not. It is not the freedom to seek profit by any and all means. It is not the right to profit at the

expense of the welfare of the community. It is not the freedom of any man to exploit any other. It is not the freedom to waste the natural resources of the country. It is not the right to monopolize (which impedes or prevents the establishment of new business, creates scarcity, and imperils the spirit of enterprise). It is not the opposition to necessary and appropriate government regulation or operation (often for no other reason than that it is governmental). It is not the appeal to government for subsidy or protection whenever adversity appears. These distortions have never belonged in a properly functioning system of free enterprise. They can pull democratic government down on top of them.

Why does public enterprise perform so poorly? The answer is found in the nature of human nature. Most people, whether managers or employees, do their best only when they have to. Private enterprise must make a profit to stay in business. It has hungry competitors. It has hard-nosed, wage-conscious labor unions, and hard-nosed, profit-conscious management. They know that success depends upon satisfying hard-nosed, price-conscious customers. As a result, both Labor and Capitol know that efficiency is the price of survival. Public enterprise is free of these disciplines. It cannot fail because deficits are paid out of taxes. Public employees almost never lose their jobs. The customer's opinion doesn't count.

Again, the free enterprise system, what is it? The free enterprise system is a system of production, investment, and large consumption under which private individuals and business firms, largely by their own initiative and responsibility, combine the community's labor skills, managerial skills, and capital to produce the bulk of the goods and services men want. Its most characteristic features as compared with other economic systems are: maximum dependence upon competition and the free play of price to determine who shall produce what, maximum dependence on profit as an incentive rather than on compulsion or prestige, and maximum emphasis on free personal choice among the economic opportunities — be they goods or jobs — that are available to men.

The blessings in private property are built into American capitalism. To paraphrase Shakespeare, private property used for production is thrice blest — it blesseth those who are the owners, those who make their living using it and those of the general public who, as customers, benefit from the goods and services produced. Payments for the use of existing tools (profits) provide money that is used to create additional tools.

Legal recognition and protection of free man's natural right to acquire, hold, use, or get paid for the use of private property is one of the essentials of any economy that is striving to achieve the best possible life for its people. As a stimulus for hard, sustained, imaginative, constructive work, it has no equal. Any society that tries to get along without it will never make the best use of its natural resource, manpower, and tools.

Many Americans seem to assume that free enterprise is a natural condition — that it appears as naturally as buds in springtime and that it will continue to bloom forever. But the fact is that throughout most of history, there has been little freedom of enterprise. No great nation enjoyed a full measure of economic freedom until it was nurtured here under the U.S. Constitution, and there are signs that we are rapidly losing our economic liberty — choked by the weeds of government intervention.

We know that the chief concern of man's government should be to establish and protect the highest degree of personal freedom possible within the framework of law and order — to make him a better producer, if his government truly is one "of the people, by the people and for the people." Americans according to their Constitution are free to dream, play, try, fail and try again. Freedom, of course, is not the only thing required for economic progress, but it is indispensable. Americans have accepted it and have prospered beyond all other peoples.

There are some unique economic advantages of personal liberty. Human energy and limited natural resources are directed into the production of the things which human beings most want. At the market price, the supply of any good offered equals the amount demanded, and the necessity of apportioning the supply on the basis of favoritism or bribery is thus obviated. Inefficiency in production is constantly and automatically being eliminated, and efficiency is automatically being rewarded and furthered.

Certainly, the opportunity to acquire, hold and use private property should be open to every man regardless of color, creed or the station in life to which he is born. "From rags to riches" was part of the original American Dream and still is, and although we have not yet fully realized this goal, we are still pursuing it. Too good to be true? It is good, and it is true.

Freedom is a seamless cloth, its parts inseparable from one another. Freedom is indivisible. Property rights are human rights, rights of humans to the fruits of their labor. Those who favor and work for free enterprise are,

whether they are aware of it or not, working to establish and maintain human freedom.

Personal liberty and economic potential, therefore, go together. To reach or even approach his potential, man must have something no other creature can even imagine — he must have personal freedom. Without it he can live, subservient to the will of others, but the level of material welfare in an economy without personal freedom is always low. Without the incentive of possible improvement he will not make the effort to increase his individual productivity. Freedom of choice and action is a major stimulant for human imagination and energy. Every man has his own preferences and goals, and, to express and realize these, he must be free to be himself.

The desire for private property, whatever its form, is deeply rooted in the nature of man and his purpose for living. It is an extension of his personal freedom and a necessary instrument of human dignity. To destroy man's desire for private property is to destroy his self-respect and his hope for self-improvement.

The right to own and control private property permitted the development of individual freedom, independence and relative economic security. The obligation of a government that wants to preserve personal freedom, independence, economic security and a relatively peaceful society, therefore, is to protect the "property rights" of all citizens equally, without prejudice or favor.

Only when there is widespread recognition and protection of the right of individuals to acquire and to hold property is it possible for the market economy to flourish and for people to produce more, confident that their property will be safe. When they are more amply supplied with resources to use themselves or to trade with others, they are in better position to narrow to some extent the gap between what they have and what they want, and so to accomplish more of their various goals.

The key to individual freedom is the type of government under which man lives. The chief concern of good government — one that stimulates the productivity needed for a high standard of living — is to establish and protect the highest degree of personal freedom possible within a framework of law. A government that does not guarantee this freedom severely retards the improvement of the material welfare of its people.

Unfortunately, our free enterprise heritage is endangered in three areas. First of all, we are experiencing a loss of understanding. Adam Smith offered a brilliant explanation of American prosperity: respect for law

which created an orderly society; right to keep the fruits of one's labors, which stimulated effort; and limited government, which meant Americans had "scarce any taxes to pay." We once understood and lived by these principles. Now we are losing this understanding and endangering the prosperity it brings.

Second, there has been a loss of productivity. A major reason why the U.S. has long led the world in productivity is that Americans invested substantially in power tools. Now, with after-tax profits for all U.S. corporations, as a percentage of national income, only half the total of 40 years ago, there is not enough incentive to motivate saving and investing in tools of production.

Third, there has been a noticeable loss of freedom. "The Spirit of '76" embodied in the Declaration grew out of a fierce love of liberty. Present-day Americans are losing this spirit and permitting their Constitution to be eroded and economic freedom to be lost, as government increases the percentage of income taken in taxes, intervenes in wages and prices, manipulates the money supply and regulates more and more aspects of business activity.

Some thoughtful observers are deeply concerned that 1976 may not mark "The Bicentennial of American Capitalism" but the end of the age of capitalism. If we want it to be the former, we had better step up our efforts to understand and preserve the most productive economic system in the history of man. Our nation's 200th anniversary was also the bicentennial of American capitalism; unless we take stock, it may become a gross misnomer to call our enterprise system free.

Why then has free enterprise been so unique? The difference between collectivism and capitalism is the difference in where the decisions are made. In a collective society the decisions are made at the peak of the political pyramid. In our society which we call capitalistic those decisions are made at a rather low level and they are made tentatively. These decisions are either confined or rejected by the marketplace. The marketplace, despite its shortcomings, is the finest calibrated, most effective regulator of the speed and direction of our highly successful economic system. We ought to do something about preserving it.

It is better to light a candle than to curse the darkness, the saying goes. Truly, if everyone would light candles and brighten the corner where he is, what a great future of material blessings would await us all through the economic horn of plenty we call free enterprise. This is our task. Let us begin . . .

The Way It Was In 1776

The comforts most Americans enjoy today might make life in 1776 seem like hardship. Yet closer study shows that the colonists generally were a prosperous and contented people — already turning America into the “land of opportunity.” In 1776, there were only 2.5 million Americans — excluding Indians — about the population of the Dallas-Fort Worth metropolitan area today.

We were a different kind of people in 1776. Nearly half the citizens were 15 or younger. Most people farmed the land for a living. Life was rigorous and tough. Work was a sun-up to sun-down regimen six days a week. Little wonder that the average male could look forward to only about 38 years of life, compared with almost 70 years today. For those who wanted it, there were two companies that sold life insurance; there are about 1,800 now.

Today's emancipated women would be horrified by the status of women in Revolutionary times. An eligible young maiden belonged to her father until she was wed. Then she became the chattel of her spouse, who was legally entitled to beat her if she disobeyed him. The average household was twice the size of today's — six instead of three.

Here are some other often-forgotten aspects of life 200 years ago:

Inflation. It was rampant during the war. By 1780 paper money authorized by the Continental Congress was practically worthless and was replaced by a new currency at an exchange rate of 40 to 1. Hence the expression “not worth a continental.”

Price and wage controls. The ceiling price on turkeys was 9 cents a pound, on milk 9 cents a gallon, on rum 63 cents a gallon. Lodging at local taverns was frozen at 5 cents a night. Two examples of typical wages were a

maximum of 70 cents a day for carpenters, 42 cents a day for tailors. Barbers were prohibited from charging more than 3.5 cents for a shave. Top pay for a soldier or sailor was \$8 a month.

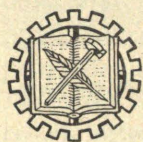
Education. Only one in 1,000 had completed college in 1776, compared with one in 12 today.

The economy. Average yearly income per person (measured in 1974 dollars) was \$634 in 1776. That's double the average yearly income in some Third World countries today! It's about \$5,600 now. And the gross national product (the value of all goods and services produced) came to 1.6 billion dollars 200 years ago, a tiny drop in the bucket compared with today's 1.6 trillion.

One aspect of daily living wasn't any cheaper in those days. It cost 10 cents to mail a letter, but that was good for delivery only within a radius of 100 miles. The fee rose to a maximum of 25 cents for a letter going 450 miles or more.

High-risk privateering. Americans also plunged into privateering — operating private commerce raiders, authorized by the Continental Congress. A group of merchants would fit out a heavily-armed schooner, each buying one or more shares. In keeping with the spirit of economic freedom, a man might own half the shares or only one-fiftieth. In addition to the shares, prize money went to owners and crew — a true incentive system.

For years the privateers thrived, taking some 2,000 British vessels and a vast amount of needed goods. But it was a high-risk business, and there was no guarantee a privateer would return at all, much less return a profit. Then, toward the end of the Revolution, the British Navy swept most of our privateers off the seas. Many an owner suffered disastrous losses — illustrating the economic fact that high profits are apt to be temporary.



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*The Center for Private Enterprise Education
Department of Business and Economics
Harding College, Searcy, Arkansas*

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DBE News & Views

Department of Business and Economics
Harding College

October, 1976

David B. Burks, Ph.D., C.P.A.
Chairman

The Newsletter

This is the first issue of Department of Business and Economics News and Views. Current plans are to publish the newsletter quarterly to keep you informed of the developments in the Department. Through this newsletter, we hope to create a dialogue between the Department and each of its important constituencies: students, faculty, alumni, and friends.

Enrollment

The 1976 fall semester is off to a good start with about 550 students majoring in one of the ten programs offered by our Department. About 225 of these students are majoring in accounting, our largest single program, with about 125 students majoring in management, general business, or business administration. About 80 students are majoring in marketing, finance, and economics, with about 60 students majoring in business and office education programs.

New Teachers

Four new teachers joined our faculty in August, 1976:

Mr. Ken Johnson (BA '66, Harding; MBA '72, University of Wisconsin; CPA, Arkansas) is an Assistant Professor of Accounting. He brings to the classroom eleven years of valuable experience gained in public and private accounting practice. He has worked for Peat, Marwick, Mitchell, and Co.; Remington Rand; and Johnston, Freeman, and Jones (Jonesboro). He was a partner with the Searcy firm of Angel, Humphrey and Johnson, Ltd., prior to joining the faculty. He is married to the former Mary Flippin (BA '65, Harding) and they have two children, Kimberly and Rebecca.

Mr. Lavon Carter (BA '68, Harding; MBA '70, University of Georgia) is an Instructor in Management and Finance. He brings to the classroom nine years of valuable experience gained while working for Phillip's Petroleum Company and Post-Newsweek Stations, Inc., Jacksonville, Florida, and Hartford, Connecticut. He is married to the former Leah Maria Michaels, and they have five girls, ages four to ten, named Ladonna, Lisa, Laura, Latina, and Lacinda.

Mr. Mark VanRheenen (BA '74, Harding; MBA '75, North Texas State University; CPA, Texas) is an Instructor in Accounting. Prior to joining the faculty, he worked for Haskins and Sells, Inc., Ft. Worth, Texas. He is married to the former Beth Evans (BA '74, Harding).

Mr. Steve White (BA '75, Harding; MBA '76, University of Mississippi) is an Instructor in Accounting.

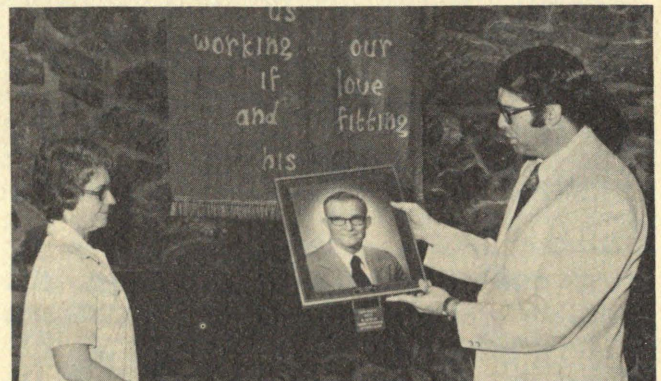
He taught two courses for the University of Mississippi this past summer and took six additional graduate hours beyond his MBA requirements. He is married to the former Jeanne Segraves (BA '74, Harding). Mrs. White is now once again working for us as the departmental secretary.

Promotions

Dr. Ganus announced at Camp Tahkodah August 20 promotions for three faculty members and the creation of two new directorships. Promoted were Dr. Billy Ray Cox to Professor, Dr. David B. Burks to Associate Professor, and Mrs. Barbara Statom to Assistant Professor.

Dr. Bob Kelly was named Director of Business and Office Education, and is responsible for the counseling, scheduling, and equipment for this part of our program. Dr. Kelly received one of three Distinguished Teacher Awards in May, 1976. Mrs. Tucker continues to teach in this program and renders outstanding service to the Department and College.

Dr. Don Diffine was appointed Director of the newly established Center for Private Enterprise Education. The Center is an outgrowth of the outstanding achievements of last year's award-winning Economics Team. Dr. Diffine will continue to teach economics in the Department.



Hedrick Memorial

The Hedrick memorial project is well underway. As you know, this is a very special project honoring the late Dr. James A. Hedrick for his many contributions to the Department and College. To date, about \$4,000 has been received from departmental alumni toward the establishment of the James A. Hedrick Conference Room/Library this fall. If you still wish to have a part in

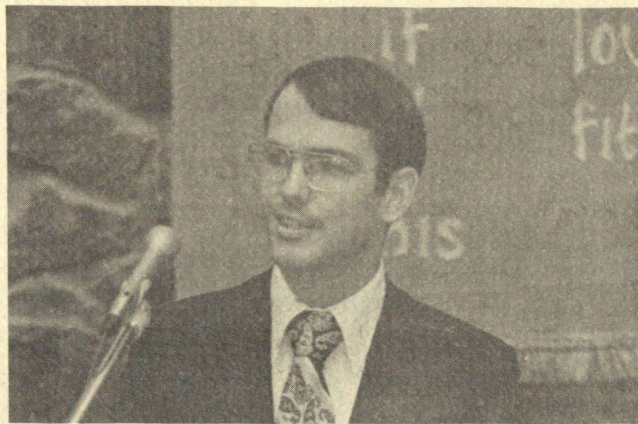
this special memorial, please send your check to the Department of Business and Economics, Box 753, Harding, Searcy. Our goal is \$5,000. The support of alumni thus far has been great and we are deeply appreciative of it.

Small Business Institute Program

The Small Business Institute program, jointly sponsored by Harding College and the U.S. Small Business Administration, is entering its second year this fall. Under the direction of Dr. Diffine, the program last year provided an integration of academic instruction and practical experience to 23 students who were members of 10 teams working with local businesses in providing management counseling. Five projects are underway this fall.

New Course

Christian Business Ethics, a new course for Bible and Business credit, is being offered this fall semester for the first time. The course is built around an in-depth discussion of approaches to ethics, corporate ethics, and personal business ethics. Case studies, experiential learning techniques, and simulations are used in teaching the course. A personal value system based on the teachings of Jesus Christ is stressed. A syllabus was written for this course this past summer by Dr. Burks. The course is an outgrowth of the Department's concern for a meaningful integration of Christianity and business. Forty students are enrolled in the course this fall.



Fall Seminar

More than two hundred junior and senior business majors participated in an all-day seminar at the Camp Wyldewood Retreat Center on September 24. The seminar, sponsored by the Department of Business and Economics, featured off-campus speakers who addressed themselves to the theme — "Professional Success: A Christian Perspective."

Mike Waters, a 1965 alumnus and now a partner with Alford, Meroney, and Co., Dallas, gave the keynote speech. He vividly contrasted worldly versus Christian success. Harry Risinger, a 1968 alumnus and now with W. R. Grace, Inc., Memphis, challenged students to be active in church work and particularly in soul winning.

He stressed the importance of allocating time for soul winning, prayer, and church work. By example and teaching, Mr. Risinger demonstrated how one can be professionally successful and be active in the church at the same time.

Other speakers included W. C. Hatfield, elder in the church and Executive Vice President of Republic National Bank, Dallas, who spoke on the impact that success has upon the home and family life, and Cam Henderson, a 1975 alumnus, who challenged students to become vocational missionaries.

In addition, presentations were made by Sam Yeager, a 1974 alumnus, and Tom Maddox, a 1972 alumnus, on challenges facing recent graduates. A student panel led by Bambi Bryan, provided a period of lively group discussion on what students can do now to ensure professional success from a Christian perspective.

The business faculty believes that it has an obligation to students to provide encouragement and guidance in the area of business ethics and Christian commitment, and we believe that the seminar is an effective vehicle for doing so. A similar seminar was conducted at Camp Tahkodah in 1975 for juniors and seniors. A second seminar was conducted last April on "Christian Commitment" for seniors at Camp Wyldewood. Because of favorable responses to these seminars, we plan to make the seminar an annual event each fall.

Management Seminar

Dr. Philip Graham, a noted economist from Texas A & M University, and Dr. M. Scott Myers, a noted management author and lecturer, have been selected as speakers for the annual January Management Seminar. Dr. Graham will be speaking on inflation and the current state of our economy Friday evening, January 28, 1977. Dr. Myers, author of **Every Employee a Manager**, will speak Saturday, January 29, on a total approach to enriching jobs based on his noteworthy experience at Texas Instruments, Inc., and other organizations. Departmental alumni are invited to attend the seminar. Please write for further details. The seminar is jointly sponsored by the Department and the American Studies Program.

Placement of Graduates

May and August graduates took a variety of positions upon graduation. Eleven of 40 accounting graduates took jobs with "Big Eight" firms while seven took jobs with local or regional accounting firms in places as close as Little Rock and as far away as Seattle, Washington. Nine accounting grads took jobs in private industry and two entered graduate school. Positions taken by other graduates are so varied as to make it impossible to list them. We continue to be in a buyer's market for college graduates even though '76 graduates fared fairly well. David Crouch is now Director of Alumni/Placement and assists our graduates in finding good positions. However, we continue to need your help in finding job opportunities for our graduates.