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The Entrepreneur

The Belden Center for Private Enterprise  
Education

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6-1-1977

## The Entrepreneur (vol. 1, no. 5)

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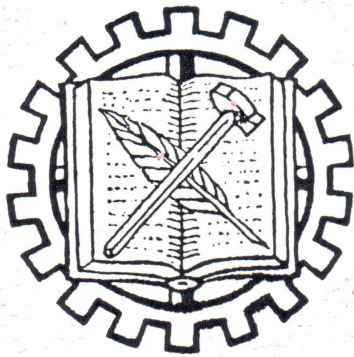
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### Recommended Citation

Diffine, D. P. (1977). The Entrepreneur (vol. 1, no. 5). Retrieved from <https://scholarworks.harding.edu/belden-entrepreneur/5>

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Vol. 1, No. 5

June, 1977

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

# The Entrepreneur\*

## ECONOMICS TEAM KEEPS FREE ENTERPRISE IN BUSINESS

The Harding College Economics Team has defeated teams from 12 colleges and universities from five states to win the Southwestern Regional "Students for Free Enterprise" championship in Dallas, Texas. Composed of members Doug Sanders of Antioch, Tenn., Miss Marsha Bender of Alamogordo, N.M., Daniel Holt of Effingham, Ill. and Merrill Klemm of Philadelphia, the Team received the first-place trophy and a check for \$2,500. Faculty sponsor is Dr. Don Diffine, Assistant Professor of Economics and Director of the Center for Private Enterprise Education. Co-sponsored by National Leadership Methods, an Austin, Texas-based management training organization, and Southwestern Life Insurance Company of Dallas, the competition began at a September, 1976, orientation meeting in Dallas.

The program theme was "Creative Capitalism." Project goals were to offer solutions to problems confronting the American economic system. The participating institutions were challenged through formal intercollegiate competition to design and implement free enterprise programs suited for their particular campuses and communities.

In April, 1977 all of the competing institutions were represented by their Economics Teams who made formal presentations before community business leaders serving as judges. Entitled "Free Enterprise, Let's Reinvent the Wheel," the Harding entry included a report with an annotated supplement and an appendix that elaborates in alphabetical order a variety of 50 programs which have been presented before civic, professional and educational groups in the Mid-South.

Other participating institutions included Texas Tech, University of Texas at El Paso, University of Texas at Arlington, Centenary College, New Mexico State, Abilene Christian University, Southern Methodist University, Texas Christian University, Southwestern Louisiana University, Northwestern State University, Pan American University, Southeastern Oklahoma University, and Northeastern Louisiana University. Last year, Harding's first economics team competed in a similar Mid-South Regional Private Enterprise

Education Competition and swept the field of colleges and universities to win the First Place cash prize, trophy, and a five-week trip to the republic of Free China for one of the members.

## Greatness for America's Third Century

by Dr. Billy Ray Cox

*Dr. Billy Ray Cox, Vice President of Harding College, received a B.A. degree from Harding and the M.B.A. degree from Southern Methodist University, both with highest honors. He is a C.P.A. and a member of the American Institute of Certified Public Accountants. Dr. Cox is also enrolled to practice before the Internal Revenue Service. Before returning to Harding, he was a Senior Staff Member of Ernst & Ernst and later General Operations Manager of the Dallas Ceramic Company, the world's largest manufacturer and distributor of ceramic tile. Currently he is Vice President of Harding College, a faculty member, Director of the American Studies Program, and a tax and business consultant.*

*A well-known lecturer and consultant in the area of management, Cox has conducted seminars in more than 30 states for private companies, chambers of commerce and industrial development commissions. He serves on six different corporate boards and six philanthropic boards.*

*Dr. Cox has received many honors for his speeches, including the Freedoms Foundation at Valley Forge 1976 Principal Public Address Award. This issue contains selected condensed versions of three very popular presentations, each of which is a gold medal winner from the Freedoms Foundation. They have been made before civic, educational, corporate, and professional groups around the country: "Our American Heritage of Great Values; The Rebirth of a Nation; and Beyond '76 — The Healing of the Land."*

With our Bicentennial behind us, the words of the great historian, Arnold Toynbee, seem to stand clearly before us and challenge us. He said, "The average age of the world's great civilizations has been 200 years. History seems to confirm the saying that people of past civilizations have passed through nine steps to complete a cycle beginning and ending in bondage. People in bondage have developed a spiritual faith, spiritual faith

\* The acting, organizing enterpriser in the world of commerce.



has given them courage; courage has brought them liberty; liberty has given them abundance; abundance has caused selfishness; selfishness produced complacency; complacency brought on apathy; apathy begot dependency; dependency brought forth its natural results, BONDAGE AGAIN!"

As one looks at the current status of our nation, her problems, her repressions and those who reject her, the words of Toynbee seem to pound steadily into our ears. If our nation is to last beyond the 200-year average that other great civilizations have known, it must experience a renewal and even a rebirth. A gigantic birthday party for our nation in 1976 was not enough — 1977 must bring the rebirth of this nation! This rebirth must permeate our national attitude and ideals in many areas.

### Faith in Capitalism

**Up Against the American Myth** was a book required in a history course at North Carolina State University. It began as follows: "Capitalism stinks. It is a highly destructive, wasteful, exploitive and irrational way to organize the resources of society . . . we can only solve our social problems . . . by doing away with capitalism and the institutions that support it. This is the point of the book and we make it again and again!" This particular book had three well-known authors and 27 contributing authors. It represented a clear-cut attack upon our system of capitalism. Our studies indicate that Americans do not know much about their system, and that American education and business has done a poor job of explaining its role.

One recent study conducted by Dr. George Gallup included students from 57 colleges and universities across our land. The students revealed the following: 25 per cent of the seniors stated that they would like to settle permanently in another country; 63 per cent believed that the government should place stricter controls on business; 55 per cent favored the breaking up of big companies; 85 per cent thought business to be too concerned about profits, and they estimated the net profit margins or sales of large companies to average 45 per cent and regarded 25 per cent to be fair. How shocked they might be to learn that the Fortune "500" only average 5.2 per cent net profit on sales in 1974. After his study, Dr. Gallup stated, "In all our years of polling, the ignorance level in economic understanding ranks the highest."

A legitimate question that needs to be answered is simply this: Why do Americans produce twice as much as that of the next leading nation on earth? Is it because Americans are smarter? Is it because they are stronger? Is it because they work harder? No, the answer is not to be found in any of these. Americans are more productive because the investment per job in America exceeds that of the investment per job of all other nations! As our investment per job has increased, our productivity per

employee has increased in even greater proportions. Today, the American worker has achieved the ultimate dream — he is able to buy shares of stock in that corporate system through which he has earned his living and his savings.

### A Climate That Attracts Capital

We may be facing a problem even greater than that of inflation and recession. In fact, a recent study conducted by General Electric indicated that by 1985, there must be invested in our economy an additional \$4.5 trillion to maintain our current level of productivity. This General Electric study called for a capital formation three times the rate of that of the past 12 years if we are to maintain our current level of productivity. The Chase Manhattan Bank made a separate study in regard to the impending capital crisis and reached somewhat the same answers. They noticed that in terms of real economic growth rates from 1960 to 1970, America ranked 18th among the nations of the world. The Chase Manhattan Bank further estimated a short fall in capital investment amounting to \$1.5 trillion over the next ten years. Why is America now having problems in attracting capital?

To deal with this issue, one must raise the question as to why people invest in a given nation. There is a general agreement that people invest in nations that have the following characteristics: (1) a history of a stable government; (2) a history of a government and a people that believe in the value of industry; (3) a highly trainable work force; (4) a general belief in letting the profit motive operate; (5) an experience of a relatively stable fiscal policy and monetary policy; (6) a fairly reasonable tax treatment; and (7) a minimum of governmental controls.

If one looks at America today, it is easy to see why we do not attract capital as we did only a few years ago. To a large degree, the characteristics needed by nations to attract capital have ceased to exist in our land.

### The Role of Government

One of the ironies of our time concerns the way that men fuss about, complain about and criticize the roles that government plays in the lives of all of us. And, it is a fact that only about two-thirds of every dollar that is sent to Washington ever finds its way back into the channel of productivity in America.

The brokerage fee seems to be about a third. Yet, the irony is that whenever any problem raises its head, someone says, "Let the government do it." On one hand we complain about the inefficiency of the cost, but on the other hand we are willing for them to settle all problems that confront mankind.

Let us be careful about turning all of our problems over to any government for solution. Let us resolve that we as independent men and women can handle most of our problems ourselves. Let us resolve that we will live freely, completely and independently above the govern-



ment dole.

The great forefather of our past had fewer visions about the role of government. George Washington said, "Government is like a fire — a dangerous servant, and a fearful master." Thomas Jefferson said in his first inaugural address, "Sometimes it is said that man cannot be trusted with the government of himself. Can he, then, be trusted with the government of others?" And later in the same address in describing the sum total of government's responsibilities and just powers he said, "A wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take away from the mouth of labor the bread it has earned, this is the sum of good government."

### **The Spur of Profit**

Recently the Wall Street Journal carried an article which revealed the results of a study concerning profit. The Americans involved in the study thought that the average profit per sales dollar was 28 per cent. There were further implications that most felt that this was bad. Indeed, in recent years profit has seemed to become a bad six-letter word on many campuses across our nation. In fact, a recent study done by two great mid-western universities indicated that 61 per cent of the juniors in high school and in college that year did not believe in the value of the profit motive and did not think it necessary or desirable to maintain the incentive for profit in our system.

The spur of the profit motive has given direction to what might otherwise have been a chaotic, confused and uncontrolled economy in society. It causes labor, management and consumers to expend their best efforts, and both they and society are the better for it.

In a recent study at Columbia University, men were asked to lift one-pound weights which were suspended from their index fingers as many times as possible. Each man lifted until he assured the researchers that it was physically impossible for him to lift any more. Then the motivational researcher said the magic word and it caused the men to lift the one-pound weights many more times. What was the magic word? The researcher said simply, "From this point on, I will give you one dollar for every time you lift the weight." Amazingly, tired muscles were revitalized, aching arms were soothed and the body responded with its best efforts. For too long Americans have played down the role of the profit motive in causing people to perform at their best levels. People have always performed at their best when spurred by the idea of making a profit, and this is good.

### **The Right to Own Property Privately**

The Constitution of the United States guarantees the American the right to share in the fruits of his labor. Man will not perform for abstract society in the same

way that he will perform for private gain. Thus, private ownership of property is necessary if we are to have the best efforts of man.

In the same study to which I earlier referred, 56 per cent of the students involved were in favor of "close government regulation of all business." Fifty-three percent said that they would vote for government ownership of banks, railroads and steel companies.

The right to own property privately is basic to our American way of life. Yet the image of the businessman has been scarred and tarnished by the efforts of those adverse to our system in recent years. Most of you have three-year plans, five-year plans and ten-year plans for the growth and development of your business. Yet, if a voting electorate chooses to nationalize your business at any time, your plans are all in vain. America desperately needs a well financed, high quality educational program in economics to be made available for all of her people on a nationwide basis now. The purpose of this program should be to educate the people on the necessity of private ownership and to educate the public on the true role of business in our system.

### **The Dignity of Work**

Work is defined as applying human energy to natural resources and the products of previous work. Dignity means high or public esteem. Work has always been recognized in America as a dignified pursuit.

Benjamin Franklin spoke of his attitude concerning this in 1782 when he wrote an essay for Europeans considering migrating to the United States that it "would not be advisable for persons to go thither who have no other quality to recommend them but their birth . . . it is a commodity that cannot be carried to a worse market than that of America where people do not inquire of a stranger, "what is he," but "what can he do?" If he has any useful art, he is welcome and if he exercises and behaves well, he will be respected by all that know him; but a mere man of quality who on that account wants to live upon the public, by some office or salary, will be despised and disregarded."

The dignity of work serves as the vital connecting link between the profit motive and private property. Through this viable conductor, profits sought become real rewards, thus inspiring men to even greater efforts.

Any system that dignifies methods of sustenance and reward other than work is in for perilous times. The playboy of society only takes and adds little — the welfare recipient who never aspires to anything higher is national tragedy. Any program of assistance to the poor which does not contemplate teaching a man to work for himself is not in the best interests of the nation as a whole — welfare programs we will always need, but only as a temporary means of solving a problem; for the government must always be a protector and not a provider on a long-range basis.



### Conclusion

As Americans, we must begin to accentuate the good, the positive, and that which is right about America. Eldridge Cleaver, the former Black Panther party leader, recently said, "With all its faults, the American political system is the freest and most democratic in the world. The system needs to be improved, with democracy spread to all areas of life, particularly the economic. All these changes must be conducted through our established institutions and people with grievances must find political methods for obtaining redress." There is much good that we need to cite about our nation that has occurred since the late 1950's. For example:

1. Real purchasing power has increased by 40 per cent.
2. Average family income has risen to nearly \$13,000 per year.
3. Twenty million new jobs have been created.
4. The number of people below the poverty line has been reduced by one half.
5. Today's farmers harvest more than twice as much grain with fewer workers compared to a generation ago.
6. Medical science has added ten years to our lives during this period.
7. U.S. technology has enabled us to put a man on the moon six times. All of this has happened in just 20 years.

Let's look at it another way:

1. 198 million Americans were not arrested in 1975.
2. Five million college students did not participate in any unseemly demonstrations last year.

3. 204 million Americans do not use illegal drugs.

4. In 1976, Americans who represent 5 per cent of the world's population produced 35 per cent of the world's manufactured goods.

5. In 1976, the gross national product of America was 1.4 trillion dollars — twice as much as the next leading nation on earth and as much as the next four combined.

6. The state of Alaska spends more money each year to educate one child than the average Argentinian earns.

7. Deposits of one U.S. bank exceeds the gross national product of Sweden.

8. If General Motors were a nation, its net sales would place it 23rd in gross national product worldwide.

9. If California were a nation, it would rank 9th in the world's gross national product worldwide.

The foregoing is simply intended to point out a few of the good and great things that have happened in our nation. I believe they are indicative of the strength and power of our people.

As we consider our 200th year, let us not be ruined by the rebuffs and repressions of the world. Rather, let us be renewed and, as a nation, experience a rebirth that will provide strength and sustenance for another 200 years. In spite of our shortcomings, our failures, our current and recent problems, we still represent whatever hope this world may have for freedom! Let us not shrink from this challenge, let us welcome it! Let us commit ourselves to personal renewal and to the assurance that this world shall witness the rebirth of a nation that stands as a beacon for all the oppressed of the world and says clearly and without distortion, "Here, Sir, the people rule; and they are endowed by their creator with certain inalienable rights including life, liberty and the pursuit of happiness. So, let freedom reign forevermore!



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June, 1977