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The Entrepreneur

The Belden Center for Private Enterprise  
Education

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Spring 3-1-1981

## The Entrepreneur (vol. 5, no. 3)

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### Recommended Citation

Diffine, D. P. (1981). The Entrepreneur (vol. 5, no. 3). Retrieved from <https://scholarworks.harding.edu/belden-entrepreneur/21>

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# entrepreneur

*This issue courtesy of Mr. Claude Collins, President, C & S Energy Co., Atlanta, GA.*

## The Reindustrialization of America

### Economics Team Publishes Private Enterprise Facts Book

*A 160-page book has been developed by Harding University economics students as a free enterprise education project. **Locating in Searcy, Arkansas — Facts for Business and Industry** is the result of 1,000 student hours put in on an Economics Team project organized by Sally Florence of Worthington, Ohio. We have received reports that such a thorough publication is seldom found, even in a metropolitan area of 500,000 people.*

*Perhaps the following quote from the editorial in the local paper, **The Citizen**, says it best. It's entitled, "Another Bonus."*

Not just a compilation of statistics, the publication covers agriculture, business, industry, churches, civic groups, communications, education, employment and income data, entertainment, government, health care, housing, population data, recreation, city services, utilities and transportation. . . in short, everything that a prospective industrial officer would look for.

Thanks to the work of the Center, Searcy is better equipped than most communities to sell the city and the area to an industrial prospect, and we feel that this effort should not go unnoticed by local residents.

The Center has done another fine job and has given one more reason why Searcy can be very proud to be the location of Harding University.

*This is just one of the many good things that has happened along the way to bring Searcy and Harding closer together. This new informational guide will be a big factor in recruiting a proper mix of people and industry necessary to aid the Chamber to move Searcy forward as a thriving rural center of commerce and agribusiness.*

### Part II: There Is A Cure What Ails Us

Second in a two-part series by  
**D. P. Diffine, Ph.D., Director**  
Center for Private Enterprise Education

More resources must remain with the private sector if America is to overcome its economic problems. Changes in productivity can come from changes in production techniques, equipment, the skill of the work force, managerial ability, the scale of operations, materials, product mix, the state of labor-management relations and the quality of work environment.

We need fiscal restraint to control federal spending. We need to improve the climate for capital formation and make money available for investment. We need to create sensible government regulation and reform our regulatory network. We need sound policies to use natural resources, including energy, effectively in a balanced manner. We need to restore America's ability to compete through greater productivity gains.

We need more investment to replace and modernize facilities and equipment. About 17 percent of current production capacity in the U.S. is now 20 or more years old. We need more investment to increase productivity to assure domestic growth, restrain inflation, keep the U.S. competitive.

Since inflation affects all segments of our economy, it is to the benefit of all to bring it under control. Actually, both management and labor have a stake in pursuing policies that will help moderate the problem. The alternative for not doing so is continuing inflation, deterioration of U.S. industry's ability to compete with imports, and resultant unemployment.

By far the best solution is increased productivity, which by definition means the reduction of labor costs per unit of production. For management, this means setting production schedules so maximum efficiency can be attained, reducing overtime requirements to absolute necessities and providing the best tools and facilities possible. For labor, it means doing a fair day's work,



being on the job every day, and reducing scrap and the need for repair work.

We should encourage every business firm, large and small, to minimize waste, reduce costs, and offer more value for the customer's dollar. We need to encourage cooperation by organized labor in holding down business costs — and thus prices. By helping to improve productivity, labor helps to keep U.S. industry competitive at home and abroad, and thus increases job opportunities and real income.

We must reject the old demand to tax business, not the individual. This has to be an insult to the thinking consumer, for he is the only real source of business revenue.

### **WAYS TO KEEP PRIVATE ENTERPRISE IN BUSINESS**

Business must make clear the fact that profits create new jobs, enable business to improve the quality of its products and services, provide vital tax funds for essential community services, and make possible the upgrading of employees from minority groups, control of pollution, and strides in solving other social problems.

Let's change the tax laws so that business can be more certain recovering the cost of research and development, thus reducing the risk of losing money on efforts that, by their very nature, must prove disappointing in many cases.

America must develop a better climate for investment by making it advantageous for people to invest. Existing tax laws don't do this. Specifically, we need a tax system that would allow business to deduct faster the costs of putting up a new building or buying new machinery.

Depreciation under present law is a complicated system that puts a damper on investments. It needs to be replaced by a system of simple and rapid deductions designed to generate investment funds that lead to new jobs and foster economic growth. Let's allow industry also to write off the cost of investments in new plant and equipment more rapidly. Technological advances are meaningless unless put to work.

We must courageously tell the people that government cannot do everything at once. Some worthwhile programs must be postponed. Some problems are better left to private sector solutions. We cannot demand too much, too fast, of our economy without paying the price of inflation.

We must, therefore, continue to remain firm in the rejection of mandatory wage and price controls. Wage and price controls, with their potential for distortion, only deal with the consequences — rising wages and prices — but not the causes of inflation — government monetary, fiscal, and regulatory policies. We need a

binding endorsement of restrictive monetary policies until the rate of inflation has become substantially lower.

We need to encourage people to save more and to invest more — directly through the stock market or indirectly through the savings institutions. In a number of countries, some money that is put into savings accounts is exempt from income tax.

We need better control of government spending. Increasing deficits require borrowing by the government; and government borrowing takes away from the amount available for corporate borrowing — there's just so much available.

We need allowance for more rapid, more realistic depreciation, to recover investment in equipment sooner, for new investment. Recovery of a large portion of cost of pollution control by providing a tax credit for required investment is a must. We should make time schedules more realistic and related to overall problems. Where possible, let's reduce regulation of business where gains in safety and health are small relative to the costs of achieving them.

Lower tax rates on corporate earnings are necessary. We need to continue and expand tax credit for productive investment. Let's also remove the double taxation of corporate profits.

### **RECAPTURE THE MANDATE**

Agencies should have to identify alternatives for the proposed regulation, and choose the least costly. The agency should have to justify choosing a more expensive alternative. A "sunset" provision should require that once every five years an agency must review regulations having an impact on the economy of \$100 million or more.

Twice a year each agency should have to publish an agenda of major regulations expected to be acted upon, and projected dates for action. An agency contact, telephone number, and address should be listed for each regulation. These agendas should enable you to get the jump on new regulations before they are proposed.

Yes, there should be passage of broad-based legislation to reform the regulatory system, by way of imposing cost justification requirements upon the regulators prior to implementation of regulations, and I recommend that the same requirements be placed upon the legislative process.

The self-perpetuating regulation industry must be confronted at the sources of its mandate, so that one might transform the burden of over regulation into a manageable and even positive force. Yes, all laws spelling out regulation, and all major regulatory decisions, should be required to first include an



economic impact statement proving that their benefits outweigh their cost.

But let's go further. Officials at decision-making levels in regulatory agencies should be required to have demonstrable competence to regulate an industry, based on substantial knowledge of the industry itself. Unlike ineptitude, conflicts of interest can be curbed, if need be, by vigorously enforced criminal penalties. Regulatory bodies should all the more be subject to real periodic Congressional review, to limit their life spans.

Our power is our vote. We can elect a Congress that will fight inflation, fight waste in government, fight unnecessary regulations, and fight to reduce taxes. We should vote for a fiscally responsible candidate, regardless of party. We should get the facts before we vote, checking our Representative's voting record.

We should participate in the political process and vote. We must elect fiscally responsible people into public offices. It's imperative that we elect individuals who will spend our money wisely and keep their hands out of our pockets.

Political leaders in Congress are followers of public opinion . . . usually they are not themselves opinion-leaders. They will enact legislation allowing the free market to operate only when it becomes politically profitable to do so. Only in this way will politicians unknowingly act for America's long-range economic good.

## **RESTORE THE BALANCE**

Let's diminish government controls which tend to distort normal market practice, raise costs, and decrease needed profit. We must recognize the needs for adequate profits and encourage a business climate that makes adequate profits possible and popular.

Development of all domestic energy resources is America's best hope of reducing our dependence on imported oil. Coal, which requires reasonable environment precautions, is the most abundant of these resources.

Private sector programs that develop alternative energy technologies and put increased emphasis on nuclear power generation are other ways to get the job done, along with conservation efforts to increase energy efficiency by businesses and individuals.

Yes, we should require federal agencies to undertake an analysis of the economic consequences of regulations they propose. This would include an analysis of the impact of the regulations as reflected in increase in consumer prices — a significant cause of inflation.

All laws spelling out regulation, and all major regulatory decisions, should be required to first include

an economic impact statement proving that their benefits outweigh their cost. Officials at decision-making levels in regulatory agencies should be required to have demonstrable competence to regulate an industry, based on substantial knowledge of the industry itself.

We should support alert, active trade associations. They provide an inexpensive ear to Capitol corridors. They also serve a positive lobbying force to improve legislation and rule-making.

We should keep the heat on locally elected members of Congress and Senators, especially newly elected ones who generally are more responsive to their constituents.

There must be a legislative revision of the federal budgetary process that would make it more difficult to run budget deficits and that would serve as the initial step toward a constitutional amendment directed to the same end.

There should be a commitment to a comprehensive plan for dismantling regulations that have been impeding the competitive process and for modifying others that have been running up costs and prices unnecessarily.

There should be a plan of legislation scheduling of reductions of business taxes in each of the next five years — the reduction to be quite small in the first two years but to become substantial in later years.

There should be the establishment of a uniform procedure for Congressional review of the activities and regulations of "independent regulatory" agencies (those agencies which are not in the Executive branch but are arms of Congress), which may be contrary to law or inconsistent with Congressional intent, and permitting either the House of Representatives or the Senate to prevent an objectionable regulation from going into effect by passage of a simple resolution.

We can develop a national commitment to productivity improvement. We can adopt measures to encourage saving and risk-taking. We can implement programs to increase business capital spending. We can create incentives to spur research and development and other restrictive practices which add to business costs and inflation.

We can carefully build a constituency for creative capitalism. If we will adhere to the principles that result in sound and balanced growth, we can realize the goal of bringing all of our people into the economic mainstream.

The need is pressing. Let's get together and reindustrialize. Corrective, advocacy economics is the key. This is our task. Let us now begin our move in the direction of a more vigorous economy.



## ECONOMIC EDUCATION BEGINS AT HOME

We need to recognize that anti-business movements are often political movements, not economic movements. They need the support of government and the passive business sector to succeed.

Business should refuse to just be a frozen asset in the struggle, by only grumbling in private. Businessmen should make a bid for public trust in terms of performance, meticulous attention to quality, and efficient use of natural resources. Tell your story or some amateur will.

If those running for office say, "No tax breaks for the rich," businessmen should say aloud, "Alright, no new jobs for those who need them." Constructive candor is a smart communication tool.

The re-education task must be done on a company basis — each one telling its own story to the people within its own orbit, plant committees, customers, stockholders, and employees. Education should start at home.

We need to work with our own people. A work force that has some understanding of the marketplace, and of where its own goodies come from, may be a less troublesome, more productive force over time.

Sound business-related economics need to be simply presented to reflect solid knowledge of free, private enterprise, in a manner of semantic skill, utmost clarity and simplicity. Lay the ground work for a practical, proven, pro-free market, mass yet personalized, communications program.

We should expect our views to be represented in the ranks of the faculty of our alma mater, especially if we are subscribing financially to the institution. Additional

efforts should be made to publicize the need for economic education. Subsequent programs such as corporations sponsoring chairs in economic education in colleges and universities should be undertaken to meet needs.

Where there is this general concurrence that economic education should be part of general education, economic instruction should be provided to college students before they graduate, with special emphasis on economic education for effective citizenship.

Soundly-planned messages are needed to improve economic knowledge, attitudes toward business, and to motivate people to vote responsibly and perform as profit-oriented employees.

Messages to correct key misconceptions, establish fundamental principles, clarify current issues are vital. Broaden the "free choice" argument to include workers and consumers in a voluntary exchange market economy.

Emphasis should be placed on effective two-way communication messages noticed, seen, read, heard by a maximum of the audience in a communication method that encourages people to reveal negative attitudes, ask specific questions, and then relieve these feelings and answer queries.

Achievable objectives should be set: improved economic understanding; increased belief in and support for private enterprise; increased awareness of the size, scope, and cost of government; improved company profitability through improved employee performance; and development of more active and informed citizenship.

What must be understood is the crippling effect of excessive government regulation and the vital but fragile link between economic freedom and personal liberty.



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Dallas, Texas 75211

**Spring, 1981**