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This issue courtesy of Mr. Ned Martin, Martin-Tomlinson Roofing Co., Inc., Dallas, Texas

Harding University Economics Team Wins National Competition In New York City

The Harding University Economics Team defeated college and university teams from ten regions to win the 1980-81 National "Students in Free Enterprise" Championship at the Sheraton Centre Hotel in New York City, July 19-22, 1981. This climaxed the competition which began a year ago with nearly 200 colleges and 6,000 students from around the country. The team received a first place trophy and a check for \$1,500 for the university's general fund.

Harding's "Capitalism Corps" is composed of members Phyllis Osborn (student chairperson) of Knoxville, Tennessee, Walt Buce of Dallas, Texas, Susan Collins of Atlanta, Georgia, Sally Florence of Columbus, Ohio, David Garver of Galveston, Texas, and Paul Holliman of Bartlesville, Oklahoma. The Team's faculty sponsor is Dr. Don Diffine, Associate Professor of Economics and Director for the Belden Center for Private Enterprise Education.

At the National Finals, the economics team members made formal presentations before twelve nationally-known business leaders and educators who served as judges. Entitled "Free Enterprise — The Great American Bargain", the Harding entry included a thoroughly annotated report and a twelve foot by fifteen foot multi-media display that elaborated on a variety of sixty projects and programs which have been presented for civic, professional, and educational groups in the mid-South.

The competition results, combined with five regional first place finishes, impressive first and second place finishes in previous national competitions, firmly establishes the student-staffed Harding University Belden Center as one of the premier organizations in the country that is effectively emphasizing the concept of freedom applied to the market.

President Reagan Sends Greetings To National Finalists At Sheraton Centre*

..I am delighted to send my greetings and warm personal regards to all those participating in this year's Students in Free Enterprise National Competition.

..Because we live in such a vibrant and productive country, it is all too easy to take for granted the great benefits we experience each day from our free enterprise system. Efforts like yours serve to renew our awareness of its value.

..I commend you for your significant contribution to increased understanding of this system which provides unparalleled opportunities for the economic expression of creativity, individually, and personal fulfillment. It is crucial that Americans do understand this system and why it has produced more goods and services in a wider variety than any other system in history.

..By exercising imagination in developing creative programs that promote our free enterprise way of life, you gain experience that will serve you well in years to come. The business world, which many of you will enter, seeks this kind of fresh and innovative thinking.

..You have my best wishes for an enjoyable meeting and for your continued success in the future.

Sincerely,
Ronald Reagan
The White House
July 20, 1981

* presented at the Awards Banquet by Ms. Martha O. Hesse, Associate Deputy Secretary, U.S. Department of Commerce.

Freedom and Economics

by

The Honorable Murray L. Weidenbaum, **Chairman**
The President's Council of Economic Advisers

an Address at

The Fourth Annual Leavey Foundation
Awards Ceremony for Excellence in
Private Enterprise Education

Freedoms Foundation at Valley Forge
May 8, 1981

At a time when the air is full of sounds of budgets being cut and tax rates reduced, it may be useful to step back and ponder the fundamentals that underlie the heated debates of the moment.

When the frenetic events of the day are evaluated in the more leisurely light of history, I am confident that we will find that we have been engaged in an effort far more fundamental than raising the growth rate of the real GNP or slowing the pace of the Consumer Price Index, worthy as these actions may be.

We are engaged in an unprecedented effort to shift the focus of decision-making away from the Federal government and to the many diverse and small organizations and institutions that better serve the individual.

Thus, it has never been a question in this Administration as to whether it is more desirable to cut taxes or to reduce the growth of government spending or to curtail government credit programs or to provide relief from regulatory burdens. All of these are a part of a larger task: to reduce the power and obtrusiveness of the Federal government in all of its many dimensions.

The effort that we are engaged in must properly be viewed in a broad and long-term perspective. For example, it is ironic that some self-styled "liberals" are advocating that our revenue proposals be changed so that more of the tax reductions would be focused on business and less on the family and individual taxpayers.

Now, of course we do provide for very generous tax incentives for companies to expand their productive facilities, and we believe that is a highly desirable step toward a stronger private sector. But the bulk of the tax relief is proposed for the personal taxpayers, who ultimately bear all of the tax burden.

It is not just a matter of arcane estimates of economic impacts. Rather, this approach represents a desire to enhance the economic position of individual citizens. Then they will be free to make more of the decisions as to how they want to use their income - how much to save,

how much to spend, and what to spend it on. Generating more of the Nation's investment funds in the form of saving by the household sector also will mean a freer and less concentrated industrial economy, one in which the ownership and control is more widespread.

As we see it, as a general proposition, private citizens do not need Federal, State, or local officials of government to make their decisions for them and to direct their lives. Most individuals - laborers, managers, investors, buyers, and sellers - know best what they want and how properly to attain it. Their collective actions, if left undisturbed, generally result, over time, in the most appropriate distribution of our economic resources.

The best government economic policy, therefore, is the one that provides a stable environment in which private citizens can confidently plan and make their own decisions. Those who advocate departures from this approach bear the burden of proof that the resultant government intervention will do more good than harm. Advocates of intervention must show in any given situation that "market failure" is greater than the "government failure" inherent in the political and bureaucratic process.

This, in my opinion, is a useful and succinct statement of the principles of a private enterprise system - and of the economic philosophy of this Administration. It is hardly new. Adam Smith came to these same conclusions when he first conducted his inquiry into the nature and causes of the wealth of nations over two centuries ago.

The society he envisioned was surely not anarchy. Rather it was characterized by limited government, with the expectation that government would perform well those manageable tasks that were assigned to it. Unfortunately, many of us need to rediscover these fundamental truths.

THE BASIS OF A FREE ECONOMY

Let us begin by looking at the basics of a free economy. It is a world where people sometimes win — and sometimes fail — in their economic pursuits. Given adherence to mutually accepted rules, a free enterprise system teaches individuals how to avoid failure and pursue success by rewarding the latter and punishing the former.

In a healthy market-oriented economy, individual entrepreneurs and companies that successfully meet consumer needs are profitable. Those that fail to meet needs, sustain losses. It thus is erroneous to refer to a "profit" system; rather it is truly a profit-and-loss system.

Government institutions, on the other hand, generally are not subject to these tests. No Federal agency ever has been forced to declare bankruptcy. Rather, the typical response for a Federal agency overrunning its budget is merely to urge the Congress to increase its use of public

resources. Thus government programs continue often beyond their original justification and develop a life of their own.

Critics may comment about the shortcomings of the “invisible hand” in the market economy. But, as we have learned so painfully and often in recent years, the “fickle finger” of government so often generates far greater problems when it intervenes in economic decision-making.

Of course, it is not a question of altruism, but of enlightened self-interest that motivates the individual and the business firm. A private enterprise system takes advantage of the fact that, as Adam Smith put it, “it is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard of their own interest.”

It is ironic to listen to frequent statements that free market oriented institutions are heartless and literally would let people starve. The fact of the matter is that the capitalist nations of the world are feeding the socialist nations — not on a purely charitable basis, but rather in the spirit of Adam Smith’s baker.

The role of government in this context must be carefully defined. Let there be no misunderstanding of the true meaning of free enterprise. It does not mean being simply-mindedly pro-business. The latter sees a partnership between government and business, subsidies for failing industries, “incomes” policies, government planning, and other interventionist techniques, albeit frequently justified on an “exceptions” basis.

In contrast, promoting the concept of free enterprise requires that no favored treatment be given to any specific interest group or industry. It means restraining any tendency to reallocate resources from those who are entitled to them by virtue of their own economic activity to those who receive them by political decision.

Furthermore, our concern for the principles of economic freedom cannot stop at the water’s edge. Freer worldwide flows of trade and investment — a free enterprise system at large — offers greater economic welfare to the peoples of the world. The same specialization of labor and individual creativity that we see among the people of our society can also be encouraged beyond our borders.

Special interests would have us close the door to the accomplishments of Japanese management, or to the natural abundance of French vineyards. But when all the benefits of a more open economy are added up, it becomes clear that losses for domestic producers do not and cannot cancel out the gains that consumers receive from imports.

Free trade, of course, is preferably a two-way street. Thus, one role for government is to encourage other nations to provide more open markets for American products.

FREEDOM AND THE MARKETPLACE

Friedrich von Hayek has written eloquently on the importance of freedom and its bearing on economics. In the **Road to Serfdom**, he cautioned presciently against the dangers of growing government. Even earlier, however, in a less often quoted work, he made a point that seems as appropriate to me now as it did to him then. He wrote in **Freedom and the Economic System**: “Freedom and Democracy are not free gifts which will remain with us if only we wish it. The time seems to have come when it is once again necessary to become fully conscious of the conditions which make them possible, and to defend these conditions even if they should block the path to the achievement of competing ideals.”

Freedom and the free enterprise system have come under attack in recent years as public concern has shifted towards the achievement of a number of other goals, including a variety of social concerns, such as ecology and income redistribution. But when these non-economic concerns sap the vitality of the economic system, and ultimately reduce or limit living standards, it becomes time to redress the balance. Our own society has clearly arrived at this point.

As the Reagan Administration moves to restore freedom and economic vitality, of course it will not abandon all other goals. The intent is to support in an improved manner activities that are appropriately carried on by the Federal government and that, on balance, benefit society. But it also is necessary to identify and reform or eliminate Federal government activities that are best performed by other institutions or that on balance harm society.

The limits of political decision-making are many. Consider the great variety of consumer desires. In a political setting it seems appropriate that the majority should decide. But, on reflection, following that approach universally can result in needless losses in economic welfare. Let me illustrate that point.

When the original Henry Ford declared that automobile buyers could choose any color so long as it was black, prospective purchasers with different preferences had recourse to the products of other companies. But if the same Henry Ford had been Secretary of a nationalized Department of Automotive Production, the minority desires would have remained unfulfilled.

In our daily lives, there is rarely need for unanimity of choice. Here is where the market system automatically meets individual needs far more effectively than the best intentioned political decision-making. Returning to the example of the automobile, if 5 percent of the population desire a car painted in blushing pink, the market can meet their demand — providing they are willing to pay the cost. There is no need to impose a single dominant viewpoint on all automobile purchasers.

LET'S DOWNSIZE GOVERNMENT

This decentralization of decision-making also can be performed within the public sector itself. This is precisely why the Reagan Administration is determined to strengthen the Federal form of government. For too long, too much government power has flowed to Washington. It surely is necessary to reverse that trend and to encourage the diversity of responses on the part of the thousands of State and local governments to the various problems presented by voters to their governmental representatives.

We can recall when the States were looked upon as innovative laboratories. That phrase has gone out of use in recent years. Perhaps it will return as we return to States and localities more of the decision-making power within the public sector itself, a key aim of the Reagan Administration.

In many cases where government does intervene in our daily lives, there may be no need for a standardized response by a Federal agency having jurisdiction over the entire Nation. Americans in different regions have different needs and priorities and a decentralized public sector may respond to those citizen desires far more effectively.

Finally, we need to realize that our concern for the free enterprise system is part of a larger national debate over fundamental values, and especially over the balance between the power of government and the freedom of the individual. We must relate economic concerns to the broader interests of the public.

PRIVATE ENTERPRISE PROMOTES PROGRESS

Capitalism has its share of faults. We should be frank to admit them and eager to correct them where we can — that is, where the well-intentioned attempts at improvement will not themselves do more harm than good. We need to be mindful of the fact that economic institutions, such as the business firm, are not multi-purpose organizations. In the productive specialization of labor characteristic of a market economy, the profit-seeking corporation is best suited to the production and distribution of goods and services to meet consumer needs.

Attempting to impose on the economic process a variety of seemingly high-minded social obligations may seriously erode the basic ability of business to perform its true social function — providing consumers a rising degree of economic welfare, and providing the economic base upon which a society can meet its important non-economic needs, such as providing for the national security.

Finally, we should remind our fellow citizens of the importance of maintaining a society containing diverse, independent, voluntary institutions — in both economic and non-economic spheres of activity. The concern with the future of our economic system may be seen as a reflection of our more basic desire to maintain and strengthen the free and voluntary society of which the economy is a vital but only constituent part.

Boiled down to its essence, political freedom requires economic freedom. We foster one as we pursue the other.



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