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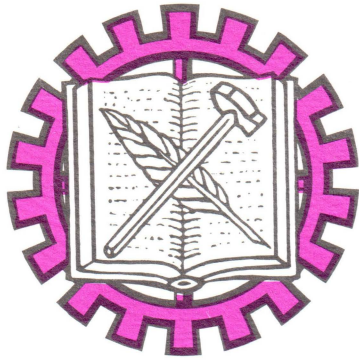
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The

The Belden Center for Private Enterprise Education
Harding University School of Business
Searcy, Arkansas

entrepreneur

This issue courtesy of Steve Phillips, Phillips Lumber Co., Inc., Cedar Hill, Texas

What 'Free' Means In Free Enterprise

We Heard There Was A Recession, But Decided Not To Participate

A new organization was launched at Harding University during the 1982-83 school year — a chapter of Phi Beta Lambda (PBL), the collegiate big brother to the Future Business Leaders of America (FBLA). At the fall Arkansas State Leadership Conference, Ellen Reid, our first PBL President and Chapter organizer, was elected State Public Relations Officer.

The PBL State Competition, the very first for us, was conducted at the Camelot Hotel in Little Rock April 6-8. Our students went against 735 competitors from 45 colleges, Vo-Tech schools, and universities. The average individual event had 50 entrants. Harding students won First Place in the categories of Economics, Accounting II, and Data Processing.

As a result of a lengthy campaign of interviews and caucuses, the new 1983-84 State PBL Secretary is Harding's Karen Koonce, and the new National PBL presidential candidate, representing the entire PBL organization from Arkansas is Harding's Ellen Reid. Harding University will therefore be sending five participants and competitors to the National Competition and Leadership Conference in San Francisco July 5-8.

Byron Carlock, co-captain of our Economics Team, has been awarded a \$15,000 Rotary Foundation Scholarship for one year of graduate study abroad in International Finance at one of five possible universities in London, Singapore, or Hong Kong.

The Arkansas Bankers Association has selected Jeffrey G. Tennyson, member of our Economics Team, as the recipient of their 1983 Young Banker's Scholarship of \$2500.

by Deborah Ruth Garrett
Harding University
Searcy, Arkansas

Editor's Note: Debbie Garrett, of Brookston, Indiana and a member of our Economics Team, has won a National Essay Contest on the theme "What Free Means In Free Enterprise." Debbie and her instructor, Dr. Don Diffine, flew to Los Angeles on May 21, 1983, where Dr. Milton Friedman, representing the Americanism Educational League's blue-ribbon panel of judges, personally presented their awards at a dinner ceremony at the Bonaventure Hotel. The following is the text of Dr. Milton Friedman's introduction:

Debbie, it's a pleasure to introduce you to the people here. She's just completed her second year in college. She's also interested in your field of banking, Chairman Damato. I have only one quarrel with Debbie's biographical sketch, and that is this: Her goals are too modest. She says here she wants to pursue a career in the private sector in the banking and loan institution: "I would like to begin as a loan officer and then as a cashier and ultimately preside over a branch."

But why stop with a branch? And to judge by her success so far, there's no reason to suppose she will stop at the branch. I hope she will deviate on the way to pursue other activities which are appropriate for women even in our society. A strong family structure is no less important a part of a free enterprise system, and it is not incompatible.

I may say also that Don Diffine, who is her instructor, is someone I've met before at Harding University where he's done an extraordinary job in promoting a real program in free enterprise, and I'll give him a little plug. He and his students have produced a *Free Market Calendar* that I'm sure he will be willing to sell to you at a reasonable price!

Debbie, it is a great pleasure to give you this check for \$5,000 as first place winner in Americanism Educational League's National Essay Contest for college students!

WHAT "FREE" MEANS IN FREE ENTERPRISE

In 1776, the new United States of America undertook a great experiment in freedom. Why did this experiment succeed? There were individuals who were willing to take risks, not with just their time and money, but with their very lives. Within one century, this experiment on which we embarked brought our great country to a position of being one of the leading powers economically, socially, and politically, in the entire world.

Through our Constitution, we are given certain inalienable rights. These rights and-or freedoms guaranteed to us do not mandate that we all be alike, but rather that we have the right to be unique. As Robert Frost said, "Some people want to homogenize society everywhere. I'm against the homogenizers in art, in politics, in every walk of life. I want the cream to rise." We are to be equal in opportunity, but never can be in ability. Equality of the process was stressed, not equality in results.

"Freedom," as William Simon once stated, "is strangely ephemeral. It is something like breathing; one only becomes acutely aware of its importance when one is choking . . ." Freedom is not a presence, but an absence of government restraint. Freedom — whether spiritual, intellectual, political, or economic — is indivisible. People who enjoy economics have greater liberty to search for intellectual truth and personal spiritual growth, in all its variety. Free enterprise permits a person to dream and building from the ground up, as contrasted to a system that denies one's rights and freedoms.

Our system of freedom is referred to as a free enterprise, or capitalism. These two terms are often used as synonyms, meaning the private ownership of the means of production and distribution. The word free means "how" and enterprise means "by whom." Because of capitalism, man can be an individual; he has dignity and he has freedom of choice.

There are several facets of freedom that our great system allows. First, there is freedom of enterprise. There is free entry into and free exit out of the market for businesses. Free enterprise means that one is free to do anything one wants as long as one has the enterprise to do it. Free enterprise provides not only the opportunity to succeed and prosper, but also the possibility to fail and lose. These successes and failures are the result of our next freedom, competition — the heartbeat of capitalism.

A second freedom we enjoy is freedom of competition. Competition brings out the best in all of us. It promotes excellence. When does the football team typically play its best? Against a mediocre team, or against its crosstown rivals? The players strive for a victory because there is something in it for them — the prestige of winning against a decided opponent. This is how the profit or self-interest motive comes into play. In anticipation of receiving the fruits of one's labor, individuals will take

initiative, work hard, and become creatively innovative to attain their goals.

Another vital freedom is that of representation. The essence of the American system is limited government and free people. Limited government is the reason for there being certain central features of the Federal government: checks and balances, the separation of powers, the two branches of Congress, the presidential veto, specific powers in the Constitution, and the Bill of Rights. These features were designed to bind government and free men. When the energies of peaceful men are released, they are capable of achieving wonders of building, invention, innovation, production, transportation, and distribution of goods. The key to American productivity is free enterprise.

Capitalism never has existed in pure form. There are many things free enterprise is not. It is not the freedom to seek profits by any and all means, not the right to profit at the expense of others, and not the right to appeal to government for subsidy or protection whenever adversity appears. When an individual or business is free to create and seek monetary reward within a framework of reasonable laws and a minimum of government intervention, the individual or business can prosper, and the other members of society will benefit. This concept of limited government requires that elected representatives respond to the people and use restraint in regulating the economic decisions of individuals and business. Elective government, to endure, must defend the basic rights of life, liberty, property, and most importantly freedom of choice.

Freedom of choice involves three groups of people. First, there is the freedom of the worker to get as much as others are willing to give. The worker is free to organize, to bargain collectively for what he believes to be in his best interest. The worker has freedom of mobility. He can quit one job and seek another; he can even quit working as an employee and start his own business. Our system is fueled on freedom of individual opportunity. Second, the owners of a business have freedom also. He can charge as much as customers are willing to pay. The yardstick the owner responds to is the price system or supply and demand. The free market teaches all participants how to avoid failure and pursue success, by rewarding the latter and punishing the former. The third group are the consumers. The free will of the customer is an automatic police force, the supreme court of the free economy. By casting his consumer votes, or dollars, he alone determines the destiny of the owner's products.

Freedom for all, in its final analysis, is the freedom to produce, to distribute, to consume, to discover, to invent, to experiment, to succeed, to fail, to create means of production, to exchange goods and services, to keep the fruits of one's labors — all on a voluntary basis without significant interference by the policing powers of the state.

Editor's further note: The following comments, putting the Essay Contest competition in perspective, were made to the audience at the Awards Ceremony by Debbie's instructor, Dr. Don Diffine.

Ladies and Gentlemen, creditors and next-of-kin, it is good to be back in Los Angeles, California, my home for 24 years. I asked Debbie just before the Awards Ceremony if she was nervous. She replied, "No, just incredibly alert!" Debbie and her classmates had three months to write the Americanism Educational League Essay on the wonderful idea of "Freedom Applied In The Marketplace." The subject has been so well simplified by Dr. Milton Friedman, that people respond by saying, "Why didn't I think of that?" Dr. Friedman has done a superb job of helping us clarify our values with respect to free enterprise.

Dr. Friedman mentioned that the Instructor's job was to motivate the students. During the first month, I told Debbie and her classmates this: "Your best will be barely good enough." Time went by; we were all so busy. During the second month, I told them, "If you don't enter, you can't win — I'm behind you, win or tie." Early in the third month, I said to them, "Look, if you do your best and don't win, place, or show — you haven't disgraced yourselves — you've disgraced me!" With two weeks to go before the deadline, I said to them, "Look, it's not the principle of the thing, it's the money — okay, I'll donate my part of the prize to the widow of the unknown soldier — anything!" Debbie's was one of the last entries to be submitted to me. Without reading the others, she told me, "Mine's better." She was not only confident, she was ultimately very correct.

Free Enterprise A Great American Asset

Presented by
Harding Student, Ellen Reid
to the
Greater New Orleans Area
High School Students Program on
"America, Freedom, and You"

If you were asked what is your greatest asset for future financial success, how would you reply? Would you say that it is your talent, intelligence, creativity, innovativeness, hard work, or perhaps simply your determination to be successful. These are very important factors; however, there is one factor necessary for success that each one of us has — one which we probably take for granted and often do not thoroughly understand.

Because our American Free Enterprise system plays such a vital role in our lives, and because it is taken for granted and misunderstood, many citizens have begun campaigning to restore the awareness and knowledge of our free market economy. That is why I am here today.

When our forefathers came to America in search of freedom, they developed a system that protected their

freedom as well as the freedom of future generations. Our forefathers had a very good grasp on the concept of individual freedom. You see, they understood that economic freedom is essential to individual freedom.

One of the basic elements to freedom is choice. Without the power to choose his own destiny, a person is nothing more than a mere puppet. Because of freedom of choice, it is possible to live where we want, drive the kind of car we like, and dress as we choose. This freedom of choice also applies to occupations. Depending upon your ability, you can choose to be a doctor, lawyer, plumber, or even street sweeper — it's up to you. Where else but America, land of the free, could a football player, a peanut farmer, and a movie star each end up being the President of his country? And just think, we saw each of these three achieve his nation's highest honor during the last decade.

Freedom of choice allows you the opportunity to succeed, and it also allows you the opportunity to fail. You are entirely on your own. For this reason, many do not advocate our free enterprise system and would like to change to another form of economic system that takes care of them and provides security. The only alternative to free enterprise is government ownership, whether it is called socialism, communism, or any other name. A few years ago, then Governor Reagan had this to say:

"For us to turn ourselves back to match the most successful socialist country's achievements (that of the Soviet Union), we would have to cut all the paychecks in America by 75 percent, send 60 million back to the farm, tear down almost 3-4's of the houses in America, rip up 14 out of 15 miles of road and 2-3 of the railroad track, junk 85 percent of the automobiles and tear out 9 out of 10 telephones."

This is a great price to pay for womb-to-tomb protection. And who pays this price? Not those who want to be provided for, but those who are willing to take risks and use their abilities to improve themselves and their country. However, you must be willing to take risks, work hard, and use your God-given talents. The words "freedom" and "enterprise" when used together mean that you are "free" to do anything you like as long as you have the "enterprise" to do it.

What makes our economic system more productive and efficient than the other forms of economics? The driving force behind our great free enterprise system is the **profit motive**. Striving to attain a profit will cause companies to cut cost and still be efficient. Profit for a business is similar to family savings — it is what is left over after all the bills have been paid. In recent years, profit has been a dirty word, and companies have been criticized for making a profit. If profits are bad, does that mean that losses are good?

A company that is losing money must cut back on payroll and cannot provide more and better jobs for the future, and cannot guarantee job security for its present employees. Customers cannot depend upon product warranties from a losing company. The government is

also affected; it cannot receive tax revenue from a company losing money. Because everyone is affected when a company loses money, can we not assume that we also are favorably affected when a company makes a profit?

When a company is profitable, it can expand and increase the amount of jobs, and provide job security. The company's payroll generates a considerable amount of community income that is spent on houses, appliances, automobiles, and many other goods and services. So who benefits from profits? You and I!

Besides the profit motive, competition is a basic element to our free enterprise system. Competition provides consumers with a choice of products, and allows workers to change jobs if they are not satisfied. Competition brings out the best in all of us. Does your football team give their best effort when they oppose the average run-of-the-mill school, or when they play their big rivals?

The same burning desire to win in your team can also cause businessmen to provide better service to customers, lower prices through more efficient methods of production, and better benefits to their employees. This explains why the American auto industry started producing a small fuel-efficient cars instead of the large gas guzzlers. In order to compete with the foreign cars, and remain business, they realized that they must change their product. Thus the birth of the American compact car.

To meet the challenge of competition requires courage, and once again we hear that familiar voice of weak folks who prefer dependency over independence. We must be careful and not let our competitive spirit — once cherished in our nation — be replaced by a desire for security that leads to slavery.

When trying to decide what part government should play, perhaps we could benefit from Abe Lincoln's thoughts on it:

You cannot strengthen the weak by weakening the strong.

You cannot help small men by tearing down big men.

You cannot help the poor by destroying the rich.

You cannot lift up the wage earner by pulling down the wage payer.

You cannot build character and courage by taking away a man's initiative and independence.

You cannot help men permanently by doing for them what they could and should do for themselves.

I am not suggesting that we should be anti-government. Every country should have one. It is a vital factor in our lives which insures justice and provides for national defense. However, we should love our country but fear our government.

Since free enterprise is our single greatest asset for success, it too, can be our biggest enemy because it allows us to fail. However, if we fail we also have the freedom to try again and perhaps succeed. Let's not allow ourselves to fall into the rut of begging our government to provide for us. Start now preparing for your future. Determine to get more out of school than yourself. Get involved with your school and community. Be a leader — design your own future, determine your destiny. Many of you will be successes, and many will fail. To those of you who fail, "if at first you don't succeed, try, try again."

Editor's final note: We commend these young people to you. They are strengthening their confidence in themselves and their work, while developing competent, assertive business leadership by growing professionally toward successful careers as Christian business people.



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