
The Entrepreneur

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The

entrepreneur

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

This issue courtesy of John Sansom, CPA, Pensacola, Florida.

Good Business Is Good Business

Capitalism Is Innovative — It Made America

As the 1985-86 Harding University Students In Free Enterprise (SIFE) Economics Team enters its Spring Regional and National Intercollegiate Competitions, this column is devoted to sharing with interested individuals the back-to-the-basics approaches taken this year by our "Capitalism Corps." The student-faculty Economics Team has developed and implemented 68 projects and programs for 14 on-campus and 33 off-campus groups.

Under the banner we developed for this year's competition, "Capitalism is Innovative — It Made America," we will be submitting to the SIFE judges a detailed report citing the design and implementation of an Economic Enlightenment Program for not only our campus and community in Searcy, Arkansas, but also for a broad outreach into the mid-south. Every good product or service needs a sales force in the field.

The American people know that we have a great economic system, but they often don't know why. Therefore, our purpose is to inform our people and remove some of the mysteries. Just as a business goal is a larger share of the market, our goal is a larger share of people's minds. We view it as a major marketing opportunity. We know that we have one critical task — to go public with the good news about the American Incentive System.

Through SIFE, we have stepped into the breach to bring incentive-based economics to more and varied audiences than ever before. Our goal this year has been to assist people, both opinion leaders and the masses, to understand basic economic facts of life. The result, we believe, will be people who feel better about themselves, their company, and their country.

by
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Belden Center for Private Enterprise Education
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of the
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Chicago, Illinois

Once an audience was asked, "What's the difference between capitalism and socialism?" The reply came back, "Under capitalism, man exploits man . . . under socialism, it's just the opposite." Well, if ignorance paid dividends, most of us at one time or another could make a fortune on what we don't know about economics. Learning basic business economics won't make us millionaires, nor will it keep us out of the soup lines. It will give us a better understanding of how we got there.

It is ironic that recently at a prestigious midwest university, a group of businessmen, scholars and ethicists came together to once again discuss the question, "Can a successful businessman be a Christian?" A senior partner of a major national law firm, criticized business for its reward system, based on self-interest incentives:

If a person for the first 25 years of his career is shaped primarily by self-interest incentives, to say nothing of the period of his educational career with its grades and prizes, it seems unlikely that we will produce corporate leaders who will have an adequate vision of the long-term good of the corporation and its constituencies, much less any broader concept of the common good of society.

A professor in another location once wrote, "It seems to me that it is quite an unworthy goal for businesspeople to go to work for the sake of bringing profit to the stockholder."

In both situations, something very basic has been missed. In order to make a profit, the discipline of capitalism dictates that the businessperson first satisfy the needs of others, much as religion has imposed similar rules upon those who hope to "profit" in the hereafter.

Whether in the spiritual realm with respect to Heaven, or in the academic world for grades, or the business world for profits, rewards and punishments motivate people. This motivation leads to competition; and the competition requires self-discipline and discipline under civil law. A result of honest competition is character.

Historically, the competition of the free market has only been possible where a common culture and a common faith lead individuals to cooperate with each other. Men compete for cooperation in the confidence that others respect quality, and they constantly improve their products and service to earn that cooperation. Cooperation dies if competition dies; then coercion, compulsion, and force replace the free, cooperative operations of the market.

Adam Smith, in his 1776 book, **An Inquiry Into the Wealth of Nations**, stated that which experience seems to confirm:

It is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavor to employ it in the support of that industry of which the produce is likely to be of the greatest value . . . He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting.

By directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Not is it always the worse for the society that it has not part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.

JUDEO-CHRISTIAN ECONOMIC HERITAGE VS. ATHEISTIC REGIMENTED COLLECTIVISM?

We cannot go so far as to claim that capitalism is some kind of God-given dispensation. We can, with reason and good conscience, say that a market economy and limited constitutional government stand or fall together — because both are deeply rooted in the nature of man.

The political spectrum for “left” to “right,” in present day terms of freedom of the individual, places totalitarianism — which gives the individual only such rights and freedoms as the rulers decree — at the extreme “left,” and anarchism — which is complete absence of government, each individual “doing his own things” as he sees fit, the law of the jungle at the extreme “right.” The American political system was designed to operate between these two extremes, giving to each citizen the greatest practical degree of freedom and protection of that freedom.

Capitalism also contains its own built-in checks and

balances. People are required to exercise sound judgment, or suffer the consequences of their own folly. It doesn't carry any guarantee. One risks failure along with the prospect of success. And if we are honest, we know that there are no real guarantees possible in life — not in theory, not in reality.

It was Robert Frost who said it so well:

All men are born free and equal — free at least in their right to be different. 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.

Life is a process of change and risk, growth and setback, and ultimately what one can realistically hope for is to achieve a just measure of success commensurate with one's own ability. This is what capitalism is, and does. It puts the responsibility where it belongs — on the individual — which is, after all, the meaning of independence.

The collectivist idea of making people equal has never worked at any time in human history. This idea is failing now in the controlled economies of the world. The danger of it is that it seems to work for a while, and the naive attempt to make it work for them.

Let it be stated here for the record that capitalism is the system for the working man. It does not reward the idle — only the one who is willing to work for his wages. However, Page One of our newspapers tells us that capitalism without a moral base is little better than communism.

American prosperity has really been a by-product of the moral principles under which we produce and exchange goods and services. The strategy of those who would weaken our nation is to weaken our faith in our principles. Men without faith in a higher moral authority readily transfer their allegiance to governmental authority.

The concept of economic individualism is well stated in **“The Entrepreneurs Credo:”**

I do not choose to be a common man. It is my right to be uncommon . . . if I can. I seek opportunity . . . not security. I do not wish to be a kept citizen, humbled and dulled by having the state look after me. I want to take the calculated risk; to dream and to build, to fail and to succeed.

I refuse to barter incentive for a dole; I prefer the challenges of life to the guaranteed existence; the thrill of fulfillment to the stale calm of Utopia. I will not trade freedom for beneficence nor my dignity for a handout. I will never cower before any master nor bend to any threat.

It is my heritage to stand erect, proud and unafraid; to think and act for myself, to enjoy the

benefit of my creations and to face the world boldly and say: This, with God's help, I have done. All this is what it means to be an Entrepreneur.

MATERIALISM VS. MATERIAL BETTERMENT?

Nothing is more certain than this — the person who cannot be happy without money will never be happy with money. One has only to read the daily papers to see that the wealthiest are not necessarily the happiest. If money does not make people happy, neither does it keep them from being happy. Happiness is independent of money, but dependent upon the spirit within.

Contrary to our country's critics, young and old, foreign and domestic, the people of the United States may very well be the least materialistic in the civilized world. This bears some explanation. The word "materialistic" describes people who are too much concerned with earthly goals and indifferent to the idealistic side of life. It suggests money-grubbing and selfishness. That can happen to anyone, wherever he lives, whatever his station in life.

In demonstrating that this need not necessarily be true of the American people, let's first consider the effect of material possessions on man's materialistic outlook. Every normal person instinctively tries to improve his condition by acquiring physical things. The fewer his physical possessions, the greater his need. The greater his need, the greater his concern for acquiring more. And the greater his concern, the greater his materialistic interests. This is natural and inevitable.

If we think in terms of "Material Betterment" away from premature death and a miserable existence, we in America are the inheritors of the real revolution to achieve material betterment. Let us never forget that, during all of recorded history, it has only been in the last 200 years, that western man has been able to do what he never could before: more than adequately feed, clothe, and house himself. For the first time ever in the history of man, we have, through the Industrial Revolution, fostered real economic growth. Through it everyone has more without anyone having less.

The American people do have more physical possessions than any other people on earth, but that permits us to be the most idealistic people on earth. We have less regard for physical things than any other people on earth, because we can acquire them so easily. Americans give away more things and support more causes than any other people on earth, not because we are more generous by nature, but because we have so much to give.

It has been said that if money is first place in a person's life, instead of fifth place behind God, integrity, family and country, then one should be administered that old Middle East curse: "May you make a million dollars — may you spend it all on doctors." A word to the wise is enough.

GOOD ECONOMICS IS GOOD MORALITY, TOO

Originally published by the American Economic Foundation of Cleveland, Ohio, under the title of "**Ten Pillars of Economic Wisdom**," and reprinted with permission, the following are ten economic truisms with their respective applications:

Principle No. 1 — Nothing in our material world can come from nowhere or go nowhere, nor can it be free: Everything in our economic life has a source, a destination and a cost that must be paid. **Moral:** It is not right to try to influence anyone by inferring that it is possible to get something for nothing.

Principle No. 2 — Government is never a source of goods. Everything produced is produced by the people, and everything that government gives to the people, it must first take from the people. **Moral:** It would not be right for government when transferring goods from one group to another, not to disclose the source and the extent of the sacrifice involved.

Principle No. 3 — The only valuable money that government has to spend is that money taxed or borrowed out of the people's earnings. When government decided to spend more than it has thus received, that extra unearned money is created out of thin air, through the banks, and, when spent, takes on value only by reducing the value of all money, savings and insurance. **Moral:** It is not right to dilute the value of the peoples' money except with their knowledge and consent.

Principle No. 4 — In our modern exchange economy, all payroll and employment come from customers, and the only worthwhile job security is customer security; if there are no customers, there can be no payroll and no jobs. **Moral:** It is not right to jeopardize job security on the pretext that it is in the interest of those placed in jeopardy.

Principle No. 5 — Customer security can be achieved by the worker only when he cooperates with management in doing the things that win and hold customers. Job security, therefore, is a partnership problem that can be solved only in a spirit of understanding and cooperation. **Moral:** It is not right to create needless friction between employer and employees by misrepresenting the facts.

Principle No. 6 — Because wages are the principal cost of everything, widespread wage increases without corresponding increases in production simply increase the cost of everybody's living. **Moral:** It is not right for employees to extort unearned wages which are added to the selling price and become a burden on everybody.

Principle No. 7 — The greatest good for the greatest number means, in its material sense, the greatest goods for the greatest number which, in turn, means the greatest productivity per worker. **Moral:** It is not right to impede the production from which all material blessings flow.

Principle No. 8 — All productivity is based on three factors: (1) Natural resources, whose form, place and condition are changed by the expenditure of (2) Human energy (both muscular and mental), and with the aid of (3) Tools. **Moral:** It is not right to infer that there is any substitute for conscientiously applied human energy as a key factor of production.

Principle No. 9 — Tools are the only one of these three factors that man can increase without limit, and tools come into being in a free society only when there is a reward for the temporary self-denial that people must practice in order to channel part of their earnings away from purchases that produce immediate comfort and pleasure, and into new tools of production. Proper payment for the use of tools is essential to their creation. **Moral:** Since tool energy offers man his only release from hard labor, it is not right to discourage or impede increases in the quantity and quality of the tools available to man.

Principle No. 10 — The productivity of the tools — that is, the efficiency of the human energy applied in connection with their use — has always been highest in a competitive society in which the economic decisions are made by millions of progress-seeking individuals, rather than in a state-planned society in which those decisions are made by a handful of all-powerful people, regardless of how well-meaning, unselfish, sincere and intelligent those people may be. **Moral:** Since competition and freedom of personal action are essential to maximum production, it is not right to impede the free interplay of these natural forces.

THE BOTTOM LINE

Capitalism has a wonderful track record, and we should be very pleased to be partakers in it. If we're not, there's really something basically wrong. One reason

businesspeople are more vital and seem more alive is their daily engagement with problem-solving and challenges. This is not to say that businesspeople are in a state of bliss. Rather, as a group they have a comparatively strong sense of purpose, which their work gives them.

Free, private enterprise is a social cause. It solves the problems of society better than any system we know because it solves the problems of the individual. It does so much more because it allows you and me to do so much more. Free, private enterprise also is an attitude, one of responsibility, of citizenship, of pride, of dignity and decency. Most of all, it is an attitude of thankfulness. For too long, we have emphasized its advantages when perhaps we should be emphasizing its good news.

Free, private enterprise practices the same principles that our religious backgrounds teach us: that we are important as individuals; that we are given certain talents, that we are to develop and use those talents to the very maximum; that we are to hold our heads high and stand erect and concern ourselves about fellow man, as we put maximum effort into reaching our maximum potential.

The successful pursuit of a professional career in business or in any other area can be inherently consistent with a righteous life. This can be exemplified in the lives of those individuals of integrity who personify the Golden Rule in all aspects of their lives. Furthermore, the close adherence to moral principles enhances — not hinders — the probability of professional success.

So, I ask the reader to join me in preserving and spreading the word about the human side of free, private enterprise, so that those of us who have been blessed so abundantly can commit ourselves to leaving our country and our way of life a little bit better for the next generation than it was when we found it.



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