
The Entrepreneur

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Entrepreneur

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

This issue courtesy of Eugene Smith, President, G.T. Press, Dallas, Texas.

AMERICA'S CONSTITUTIONAL REPUBLIC A Sweet Land Of Liberty And Justice For All

1987 AMERICAN INCENTIVE SYSTEM CALENDAR A Daily Chronicle of Enterprise

In a joint venture project with Louver Manufacturing Company (Lomanco) of Jacksonville, Arkansas, the Harding University Students in Free Enterprise Economics Team presents the 1987 "AMERICAN INCENTIVE SYSTEM CALENDAR — A Daily Chronicle of Enterprise."

The 1987 AMERICAN INCENTIVE SYSTEM CALENDAR offers 365 brief reminders of great enterprising events and relevant comments on the idea of freedom applied to the marketplace. It should hang on the walls of offices, factories, and school rooms all over the country. A limited amount of copies is available for \$2.00 to cover printing, postage, and handling costs.

Staying On Top Is Harder Than Getting On Top

The Harding University Economics team will attempt to win its sixth first place trophy at the National Students for Free Enterprise Competition next summer. The university economics teams have won first place nine times at the regionals and five times at the nationals which were started in 1978. Harding teams, the winningest in the country to date, were national runners-up in 1978, 1983, and 1986.

The 1987 team is composed of Stephanie Carter, Co-captain from Bentonville, Arkansas; Joel Reed, Co-captain from New Haven, Indiana; Melissa Brenneman from Spartanburg, South Carolina; Gabrielle DeMatteis from Chillicothe, Ohio; Brad Altman from Searcy, Arkansas; Brad Again from St. Louis, Missouri; and their sponsor, Dr. Don Diffine, professor of economics and director of the student-staffed Belden Center for Private Enterprise Education.

by D. P. Diffine, Ph.D., Director
Belden Center for Private Enterprise Education
Professor of Economics
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Searcy, Arkansas

It started out like any other day, but on July 4, 1776, our Founding Fathers made it official with a one-page Declaration that said, in effect, "We're in charge here!" Although America was conceived on that date, the actual birthday of our nation was September 17, 1787, when our Constitutional Convention produced its historic document. Today, there are so many unanswered questions. Even our National Anthem ends with a question mark:

Oh, say does that Star Spangled Banner yet wave
O'er the land of the free and the home of the brave?

Why bother to commemorate the 200th anniversary of a piece of faded parchment? Consider this haunting mandate from yesteryear by John Quincy Adams: "Posterity — you will never know how much it has cost my generation to preserve your freedom. I hope you will make good use of it."

Need more reasons? It is the world's oldest living Constitution. Commemorating its anniversary is one way to encourage the American people to get enthusiastic about it. In the process, we get in touch with our heritage, through a renaissance of patriotism. What a wonderful opportunity to place greater emphasis on citizenship education. We can make the Constitution an immediate part of our lives and forestall the day when it could become ancient history to us.

Thomas Jefferson, in acknowledging that governments are made up of fallible people who tend to abuse power, penned this profound observation: "In questions of power...let no more be heard of confidence in man, but bind him down from mischief by the chains of the Constitution." Even today, after 26 amendments, the Constitution doesn't guarantee us a full life, a long life, a happy life, nor a prosperous life. It guarantees the protection of life; we make of our lives what we will.

The PREAMBLE to the Constitution is indeed a fitting summary of the entire document. Therein are presented the basic responsibilities and limitations of civil government in our country:

WE THE PEOPLE of the United States
in order to form a more perfect Union,
establish justice, insure domestic tranquility,
provide for the common defense, promote the general welfare
and secure the blessings of liberty
to ourselves and our posterity,
do ordain and establish this Constitution
for the United States of America.

What an amazing document. The American Constitution was the first of its kind to be prepared by “The People” through their delegates in convention. It was the first Constitution to recognize the right of a people to self-government. It was also the first Constitution to secure the rights of people from government’s power, by securing government so that its several constituent parts were the means of keeping each other in their proper place.

What a refreshing notion. The American approach was that government should serve the people. They were not to be a people of, by, and for their government. The only just powers any government could have were the powers that people willingly gave to it. Having successfully won the Revolutionary War, the Americans meant to live by free will. There would be freedom of choice and freedom of action.

IT’S A GOOD THING OUR FOUNDING FATHERS HAD A STRONG CONSTITUTION

This new American government was to be as close to the people as possible. Thomas Jefferson had long regarded government to be dangerous when it was remote from the people:

The true theory of our Constitution is surely the wisest and best...that if all government...shall be drawn to Washington as the center of all power, it will render powerless the checks provided of one government on another, and will become as...oppressive as the government from which we separated.

What has destroyed the liberty and the rights of man in every government which has ever existed under the sun? The generalizing and concentrating all cares and powers into one body...the way to have good and safe government is not to trust it all to one, but to divide it among the many...is by dividing and subdividing these republics, from the great nation on down...that all will be done for the best.

As the Declaration of Independence marked the conception of our Republic and set forth our “inalienable rights” to life, liberty, and the pursuit of happiness, so the Constitution outlined our style of government and defined the rights that are protected from intrusion by government. As the American statesman, Henry Clay, said, “The Constitution of the United States was not made merely for the generation

that existed, but for posterity — unlimited, undefined, endless, perpetual prosperity.”

Americans of all ages should have a greater understanding for that noble plan for our great nation. We are stakeholders in its preservation. The Constitution sets up a plan for our Republic composed of several states. And it never forgets that each of these states is made up of people of diverse origins, interests, and perspectives.

In just 200 years, our country, through freedom and hard work, has changed the world. In agriculture, industry, education, medicine, law, transportation, services, etc., no country can match America’s record. Our religious freedoms, civil freedoms, human rights, and the importance we place on the dignity of the individual — all these set us apart.

Although we often have our differences, we still join together in times of crises. Especially at those times, our strength is awesome. Among all the world’s nations, America still stands out in front. We should never forget that we are Americans, first, last, and always.

In the year that Americans first walked on the moon, the Dean of American entertainers, Red Skelton, made this touching televised tribute to “The Pledge of Allegiance:”

...Getting back to school, I remember a teacher that I had. Now, I only went through the seventh grade. I left home when I was 10 years old because I was hungry. I’d work in the summer and go to school in the winter. But I had this one teacher at Harrison School in Indiana — to me this was the greatest teacher, a real sage in my time, anyhow. He had such wisdom.

We were all reciting the Pledge of Allegiance one day. And he walked over, this little old teacher, Mr. Laswell was his name, and says, “I’ve been listening to you boys and girls recite the Pledge of Allegiance all semester, and it seems as though it’s becoming monotonous to you. If I may, may I recite it and try to explain to you the meaning of each word:

I — Me, an individual, a committee of one;

Pledge — Dedicate all my worldly goods;

Allegiance — My love and devotion;

To the Flag — Our standard, Old Glory, a symbol of freedom. Wherever she waves there’s respect, because your loyalty has given her a dignity that shouts, ‘Freedom is everybody’s job;’

United — That means that we have all come together;

States — Individual communities that have united into 48 great states, 48 individual communities with pride and dignity and purpose, all divided with imaginary boundaries, yet united to a common purpose — and that’s love for country;

And to the Republic — A state in which sovereign powers are vested in representatives, chosen by the people to govern; and government is the people, and it's from the people to the leaders, not from the leaders to the people;

For which it stands, One Nation — Being so blessed by God, individuals incapable of being divided;

With liberty — Which is freedom, the right of power to live one's own life without threat, fear, or some sort of retaliation;

And justice — The principles or qualities of dealing fairly with others;

For all — Which means, Ladies and Gentlemen, it's as much your country as it is mine."

Red Skelton concluded, "Since I was a small boy, two states have been added to our country and two words have been added to the Pledge of Allegiance — 'under God.' Wouldn't it be a pity if someone said that is a prayer and that it would be eliminated from school, too?"

It has been said that living in America is like going to a movie in the middle of the picture. A lot of action has already occurred, and it takes some time to find out what the picture is all about. In order to understand the picture of our Constitutional Republic, we need to know what has already happened. The story of our American Incentive System is the story of all the people in it — ourselves and others. We need to know how we fit into the story, what our part is, and what we can do to make the picture better.

Americans have been described as hard-working, materialistic, practical, adventuresome, optimistic, impatient, patriotic, nationalistic, humanitarian, idealistic, and believers in fair play, equal opportunity, and individual responsibility. And yet, as we are so cosmopolitan in personality, we certainly are not of one mind on the issue of free, private enterprise. Even Winston Churchill observed that: "Some see private enterprise as a predatory tiger to be shot, others as a cow to be milked, but few are those who see it as a sturdy horse pulling the wagon."

THE AMERICAN INCENTIVE SYSTEM HISTORY'S AMAZING CONSTITUTIONAL ACHIEVEMENT

Why has the American Incentive System performed so well? Are we better than other people in other lands? Are we smarter? Are we better looking? What is our competitive advantage? We started with a rather large land mass and a rather small, but well-educated population. Our land is buffered from most conventional wars by two oceans. We live in a temperate zone in a climate that stimulates accomplishment. Generally, the land has not been overused. We discovered and developed our natural resources. We offered rewards to workers for ingenuity and determination. We insisted upon personal economic freedom.

As the American Colonists would not put up with the interference of the British Government in trade and commerce, so the colonies created a government of their own which would not be given the power to interfere too much in the lives of the people. Here was to be a country where every man and woman should be free to pursue his full measure of happiness and prosperity and where the government should exist only to serve the people. It was the idea of personal freedom and protection of private property that then made our industrial revolution possible.

What is our freedom worth? Our freedom is our most priceless possession. It was not won from King George III for good. It has to be earned over and over again every day of our lives. We must work for it all the time. Let's put things in their historical perspective as we continue our civics lesson. Between the time of the Declaration of Independence in 1776 and the United States Constitution in 1787, the separate states operated under the Articles of Confederation, drawn up in 1781.

Under the Articles of Confederation, the United States government had two fatal weaknesses: It had no power to raise money and no power to prevent trade wars among the states. Trade wars were causing states to retaliate by imposing internal tariffs, import duties, regulations of commerce, and other obstructions which were clogging interstate commerce and actually leading to hostilities that bordered on open warfare between the states.

Hard times have a way of compelling people to pull together. The Revolution did just that, as it produced a workable common denominator for people of different races, creeds, and widely different economic circumstances. But when the war was over a confusion and discouragement cept in. Revolutionary leaders not only had to negotiate a peace treaty and to try to hold the Continental Congress together, they also had to constrain the states from open warfare.

Additionally, a way had to be found to pay sizable war debt owed to the French government. So it was that the leaders of the revolution, with state constitutions in hand, attempted to develop an overall Constitution which would mold the separate states into a cooperative federation. It would be designed to work on the principles of individual freedom, liberty, and law. The United States Constitution was, therefore, born out of dire necessity. Under the Articles of Confederation, the Congress was unable to tax, and it lacked the power to regulate domestic and foreign commerce.

The American Republic and American Business are Siamese Twins; they came out of the same womb at the same time; they are born in the same principles and when American business dies, the American Republic will die, and when the American Republic dies, American business will die.

Josiah W. Bailey

As would be expected, those persons whose economic interests were endangered by political confusion led the move-

ment for the new Constitution. There were land speculators who believe that the value of their holdings would be increased. There were domestic merchants who desired stable currency and unrestricted interstate commerce. There were merchants and manufacturers who wanted protection against foreign discrimination. There were owners of paper money, bonds, and certificates of indebtedness who also agitated for a stronger government.

And so, the economic provisions of the Constitution dealt with those glaring weaknesses of the Articles of Confederation. Congress was given the authority to regulate both foreign and interstate commerce. Congress was given the authority, "...to lay and collect Taxes, Duties, Imports, and Excises to pay the Debts and provide for the common Defense and general Welfare." Congress was given the sole authority to coin money, determine its value, and to punish counterfeiting.

Through the Constitution, the Founding Fathers tried to make sure that the natural right of Americans to use their own energy for their own self-advancement would not be interfered with by the government. It was that personal economic freedom — freedom of choice and freedom of action — that has allowed Americans to release their energy in a way that no other nation has done. Personal economic freedom has always been a prime reason for the greatness of America.

Thomas Jefferson put it this way: "Agriculture, manufacturers, commerce, and navigation — the four pillars of our prosperity, are the most thriving when left most free to individual enterprise." This country has built a unique economic society based on individual freedom, initiative and responsibility in operating private, competitive enterprises.

Although America's Constitution did not mention the freedom of enterprise by name, it did set up a system of laws to secure the idea of freedom applied to the marketplace. Free enterprise means that any person in this country is free to start, own, and operate a lawful business, with a minimum interference by government. Our Constitution guarantees this. The only governmental regulations contemplated under the Constitution were the minimum necessary to protect the property, livelihood, and life of each citizen.

ENTERPRISE IT'S ANOTHER WORD FOR AMERICA

Free enterprise is a way of meeting our needs and wants, by providing them ourselves or by freely entered-into transactions with others. The individual is "free" to be anything he wants if he is "enterprising" enough to do it. Perhaps we often put too much emphasis on "free" and too little emphasis on "enterprise." It is a package deal of individual liberty and private property. They stand or fall together. Free to earn your keep and to keep what you earn is what it is all about.

The most basic institution of free enterprise is private property. A second ingredient of free enterprise is free access to the market. The motor of free enterprise, indeed, of all enterprise, is individual initiative. The great regulator of free enterprise is competition.

At the same time, there are many things that free enterprise is not. It is not the freedom to seek profit by any and all means. It is not the right to profit at the expense of the welfare of the community. It is not the freedom of any man to exploit any other. It is not the freedom to waste the natural resources of the country. It is not the right to monopolize, which impedes or prevents the establishment of new business, creates scarcity, and imperils the spirit of enterprise.

It is not the opposition to necessary and appropriate government regulations, often for no other reason than that they are governmental. It is not the appeal to government for subsidy or protection whenever adversity appears. These distortions have never belonged in a properly functioning system of free enterprise. They can pull democratic government down on top of them.

The blessings in private property are built into American capitalism. To paraphrase Shakespeare, private property used for production is thrice blest — it blesseth those who are the owners, those who make their living using it and those of the general public who, as customers, benefit from the goods and services produced. Payments for the use of existing tools, profits, provide money that is used to create additional tools.

Legal recognition and protection of free man's natural right to acquire, hold, use, or get paid for the use of private property is one of the essentials of any economy that is striving to achieve the best possible life for its people. As a stimulus for hard, sustained, imaginative, constructive work, it has no equal. Any society that tries to get along without it will never make the best use of its natural resource, manpower, and tools.

Many Americans seem to assume that free enterprise is a natural condition — that it appears as naturally as buds in springtime and that it will continue to bloom forever. But the fact is that throughout most of history, there has been little freedom of enterprise. No great nation enjoyed a full measure of economic freedom until it was nurtured here under the U.S. Constitution.

Liberty means responsibility. That is why most men dread it.

George Bernard Shaw

We know that the chief concern of man's government should be to establish and protect the highest degree of personal freedom possible within the framework of law and order — to make him a better producer, if his government truly is one "...of the people, by the people and for the people." Americans, according to their Constitution, are free to dream, play, try, fail and try again. Freedom, of course, is not the only thing required for economic progress, but it is indispensable. Americans have accepted it and have prospered beyond all other peoples.

Do we have a Democracy or a Republic? As Benjamin Franklin departed from Independence Hall that September in 1787, after having completed the task of drafting then signing the Constitution, he was asked that very thing. "What

form of government are you giving us," the spectator asked. Mr. Franklin replied, "A Republic — if you can keep it."

The newly agreed upon Constitution incorporated the idea of "People's" government (a democracy) with that of representation (a republic) with frequent elections, making representatives responsible to the people. There were to be carefully enumerated and separated government powers, along with built-in checks and balances.

Samuel Adams had warned: "Remember, democracy never lasts long. It soon wastes, exhausts and murders itself! There never was a democracy that 'did not commit suicide.'" Keeping that in mind, the Founding Fathers gave us what we could today call a representative democracy, or a democratic republic.

So, our Constitutional Republic originally consisted of the 13 sovereign states and a subservient central federal government consisting of the Executive, the Legislative, and the Judicial divisions, with no one division having absolute power to govern. Further, the first 10 Amendments passed by Congress in its session became a Bill of Rights, declaring that, "...the power is not delegated to the Federal government by the Constitution nor prohibited by it to the states, or reserved to the states respectively, or to the people."

Of course, today, the word "democracy" is used extensively among the people. But "democracy" is nowhere to be found in the Constitution. Why were the Founding Fathers so reluctant to give us a pure democracy? In a democracy, any individual or groups of individuals who are part of the minority have no protection against the power of the majority. A bare democratic majority of 51% can take away the life, liberty, and property of the minority 49%. In its extreme form, a lynch mob is pure democracy in action. Minorities usually don't fare well against that type of majority.

But it is the Republic which has provided us a free, stable and prosperous system with orderly transfers of power for 200 years. A republic is very different in form. Its constitution guarantees the inalienable rights of everyone — rights that are basic to the God-given nature of man and cannot be taken away by any government. A constitutionally limited representative government, with a written constitution, adopted and changeable by the people through amendment — this is a republic.

Certainly our Founding Fathers saw a difference between "equality before the law" and "equality of results." To them, when government uses force to transfer property or wealth from one group of citizens to another, under the guise of promoting equality, then the liberty of all is endangered.

IS IT POSSIBLE TO GO FULL CIRCLE?

Two centuries ago, the British Historian, Alexander Tyler, writing about the collapse of the ancient democracies of Athens and Rome, provided this warning:

A democracy cannot exist as a permanent form of government. It can only exist until the voters

discover they can vote themselves largess out of the public treasury. From that moment on, the majority always votes for the candidates promising the most benefits from the public treasury — with the result that democracy collapses under the weight of loose fiscal policy. Always to be followed by a dictatorship.

Is there a definite cycle that most civilizations have historically gone through? Yes. Historians have studied the rise and fall of great civilizations and have concluded two things. First, they can identify a definite cycle. Secondly, 21 of the 23 literally "decayed from within" — becoming easy prey to predator nations. The cycle they have identified contains the following steps:

1. From bondage to spiritual faith
2. From spiritual faith to great courage
3. From courage to liberty; freedom
4. From freedom to initiative; production
5. From production to abundance
6. From abundance to selfishness
7. From selfishness to complacency
8. From complacency to apathy
9. From apathy to dependence
10. From dependence back to bondage

Here, again, is the cycle, with appropriate elaboration:

1. A person in **bondage** resents his bondage so he looks to some power "higher than his bondage master." This usually results in spiritual faith.
2. As he recognizes and acknowledges a "higher power," it gives him **courage** to try to become free from bondage.
3. This **courage** based on a "higher power" stimulates the desire for freedom and usually wins out through some means.
4. As a person becomes free, his **initiative** is released and he produces to help himself — usually helping others in the process.
5. Production under freedom will produce an **abundance** of goods and services if based on personal reward.
6. As **abundance** is produced, people tend to get selfish. Those without abundance covet what others have, whereas those that **have** are not motivated to share without compensation. This generally brings civil action to take from "him who has" and give to "him who has not" in exchange for votes or favors.
7. Once the "have nots" have legal authority to live off of the goods of the producers, they become **complacent** since they now have legal sanction to live off the production of others.
8. This complacency leads to apathy or to a "why should I care" attitude — "I have a legal right to food," etc.
9. This **apathetic** attitude creates a nation of "dependents" on the handouts of others and on the force of government to see that they are taken care of.
10. When enough persons become dependent for their well-being on the production of others, and on the force of government to redistribute goods to them, they become critical of both government and the industrious. They criticize and refuse to defend their **bondage** of freedom and are ripe subjects to go back into **bondage**. National decay has set in and freedom is lost.

BUT IT COULDN'T HAPPEN HERE, COULD IT?

Are there some clearly defined stages through which we have evolved in the 20th Century? Again, the answer is, "yes." Our redistributive society has evolved through three stages. First, we taxed the wealthy, stealing from the rich. Second, through deficit spending and inflation, we used unbalanced red-ink budgets to steal purchasing power from the middle class. Third, through over-consumption caused by producing less and demanding more, we stole from our children by providing insufficient capital for economic growth. This has undoubtedly been a sure way to discourage ancestor worship.

At this time of our Bicentennial of the American Constitution, can we be good students and learn from history? As a history professor colleague of mine said recently, "If we don't learn from history, we are destined to repeat it — next semester." Thomas Jefferson was cautiously optimistic for us: "I predict future happiness for Americans if they can prevent the government from wasting the labors of the people under the pretense of taking care of them."

There is a parallel between that other great civilization that's now lost in the dust bin of history, and what could happen to this country. If this writer has his way, and if we, the rest of us, are true to what we have been learning, will never have to add those last couple of lines to the story.

Today, as ever, the key to individual freedom is the type of government under which man lives. The chief concern of good government — one that stimulates the productivity needed for a high standard of living — is to establish and protect the highest degree of personal freedom possible within the framework of the law. A government that does not guarantee this freedom severely retards the improvement of the material welfare of its people.

The Federal Government has taken too much liberty from the Constitution, too much authority from the states, and too much taxes from the people.

Ronald Reagan

Some thoughtful observers are deeply concerned that 1987 may not mark "the Bicentennial of the American Constitution," but rather the end of the age of the American Incentive System. If we want it to be the former, we had better step up our efforts to understand and preserve the documents which are the basis for the most productive economic system in the history of man. Our Constitution's 200th Anniversary is also the Bicentennial of American Capitalism. Unless we take stock, it may soon become a gross misnomer to call our enterprise system "free."

What then should we do regarding economic policy? We can piddle around or go back to the policies of former civilizations. If we do that, we will most certainly be drawn further to the left, any hope of reversing fiscal irresponsibility will be lost. Our taxes will soar. Government, the bureaucracy, and regulations will continue to gobble up the American ingenuity, that enterprising spirit that once was the hallmark of our nation's success.

But there is another alternative. We can muster up the courage, gird up our loins, and resolve to make some hard decisions. Further, we can stick with these decisions and repair the damage that big government has done to our economic and individual freedoms. Only in that way can we then expect people to work, save, produce, and invest. If we can do that, it will mean a growing economy, more jobs, more taxpayers, less poverty, and less demand for government handouts and subsidies.

As the gentleman said in 1980, "If not us, who — if not now, when?" If the American Incentive System, rooted in the principles of the Constitution, continues to survive and flourish, it will be due to the greater sense of objectivity among our opinion leaders, the reasoned arguments of business leaders, the unbiased research of economists, and the more responsible actions of educators and public officials.

Then, we can with reason and good conscience continue to operate on the principle that the market economy and the limited Constitutional government stand or fall together, because both are deeply rooted in the nature of man. Let's get back in touch with our heritage and celebrate the Constitution of our remarkably durable Republic.



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