

The Family Heritage Series

A weekly discussion of Americanist truths and traditions for those "heirs of all the ages" who will have to preserve that most important inheritance of all — freedom.
Produced by the Movement To Restore Decency.



Volume II

Lesson Eighty-One

Free Enterprise

LESSON IDEA

To learn why the American free enterprise system, while admittedly not perfect, provides more and better goods than Communism or socialism — or even government-run enterprises in this country. And, to see why it is the only economic system that is compatible to freedom.

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THE ECONOMIC SYSTEM in the United States is usually described as free enterprise. Tonight, we will discuss what this really means, and how "free enterprise" compares with other systems that have been tried. Let's see if we can discover why free enterprise is the only system that can operate under freedom, and why it is the only system that provides an abundance of goods and services for those fortunate enough to live under it.

Free enterprise is sometimes called private enterprise. But they are not necessarily the same thing. Piracy, for instance, was a private enterprise. But it was not a free enterprise, because its whole success depended on violation of the property rights of others. Likewise, the Mafia is a private enterprise, but its reliance on murder, coercion, and theft places it in total opposition to free enterprise. While all free enterprises are private enterprises, not all private enterprises are free enterprises.

Free enterprise means men and women working voluntarily at whatever task they prefer, and being free to exchange the fruits of their labor with others. Under free enterprise, we can choose

whether to be engineers or architects or doctors or bricklayers. We can build a factory, and decide whether to make televisions, safety pins, or model racers. We can decide where to buy materials and what prices to charge for our products. Free enterprise means, simply, working in freedom — so long as we do not interfere with the rights of others.

The American system of free enterprise has helped make it possible for us to have more of the material necessities and comforts of life than any nation on earth has ever enjoyed. Communist countries have often had to erect barriers, such as the Berlin Wall, to keep their people from leaving, while we have had to pass laws limiting the immigration of people from other countries because so many want to come here to live. One example of the difference between Communism and Americanism is that no American has been machine-gunned while trying to escape the United States, to live in another country.

NOT EVERYONE in our country favors free enterprise, however. Some even urge that it be abolished in favor of a socialist or communist system. It is interesting to note, nevertheless, that even those most actively engaged in criticizing free enterprise depend on the fruits of free enterprise to wage their attack. Their food, clothing, shelter, books, cars, telephones, television sets, radios, theaters, musical instruments, microphones, print-

ing presses, and many other items are available to them because the free enterprise system has worked so well. In many of the socialist countries they admire, they would not even be able to purchase some of these items, much less obtain them at reasonable prices. In fact, they would not even be allowed freedom of speech to attack their government if they lived in certain countries.

SOMEONE ONCE determined what the United States would have to do in order to match the economic status of the Soviet Union. He discovered that we would have to:

- Reduce our steel production by 60%.
- Reduce our output of electricity by 66%.
- Reduce our petroleum production by 66%.
- Reduce our production of hydro-electric plants by 95%.
- Reduce our consumption of natural gas by 90%.

FOR YOUNGER AMERICANS

We recommend concentrating on the startling difference in results between the free enterprise system and socialism. For example:

1. The average American works for only 57 hours to earn enough to purchase a television set. When he does, he has a tremendous variety of programs to watch. In the Soviet Union, a worker must labor for 695 hours before he has earned enough to buy a TV. And then, the State controls all programming.
2. An American will work about 4½ hours to buy a pair of shoes. And then how many different kinds are available? In the Soviet Union, it takes an average of 49 hours to earn the price of one pair of shoes. And the selection is poorer and the quality lower at the State-owned store.
3. We can earn a pound of butter in less than thirty minutes; a Soviet citizen labors over 2½ hours for it — and there is much less butter available.
4. An American will work about one week to earn enough to buy a washing machine; someone in the Soviet Union must work a month.

Based on just these comparisons, ask your children which system they would prefer. Why has free enterprise in the United States accomplished so much more than socialism in the Soviet Union? Which principles have we discussed in earlier lessons that are not being followed in the Soviet Union?

In addition, he learned that we would need to:

- Destroy 14 out of every 15 miles of pavement.
- Destroy 2 out of every 3 miles of railroad track.
- Destroy 8 out of 10 ships.
- Destroy 19 out of 20 cars and trucks.
- Destroy 40 million TV sets.
- Destroy 9 out of every 10 telephones.
- Destroy 7 out of every 10 homes.

In all, we could match the Russian system by reducing our standard of living by seventy-five percent. And although we would have to put sixty million of our people back on the farm, they would not produce enough food to feed the rest of the population.

Despite this impressive record, some would have us exchange an economic system which has proven itself for nearly two hundred years by giving more things to more people than any other system in history, for a collectivist system that has failed every time it has been tried.

There are some interesting comparisons to be made between the free enterprise and government-controlled operations right here within our own nation. Suppose, for instance, that you were living one hundred years ago, and were faced with solving the following problems:

1. How to carry the human voice instantly from an American city to a foreign country;
2. How to transport over three hundred people from New York to Los Angeles in less than five hours;
3. How to build and maintain roads adequate for the vehicles which travel on them;
4. How to convey the sight and sound of a football game in California to homes in New York while the game is actually being played.

Which of these four tasks would have seemed the easiest to achieve in 1875? [*Give everyone an opportunity to reply, and to explain the reasons for their choice. If necessary, repeat the four "challenges" again.*]

When you think about it, it seems obvious that number three – building and maintaining adequate roads – would have seemed the easiest to achieve. One hundred years ago, many roads already existed, and they didn't seem so difficult to build or repair. But who among our great-great-grandfathers and grandmothers ever dreamed of television, or telephones, or jet planes? If somehow you could go back in time one hundred years, and describe these inventions to them, don't you think they would sound like miracles?

Yet today, as we watch television and fly in jet planes and talk on the telephone, without giving these miracles of invention a second thought, what is the condition of our roads? Road maintenance is consistently an issue in local (and sometimes national) elections, because those in charge of keeping roads repaired and in good condition have still not found an efficient and inexpensive way to do so.

What do you think explains the fact that possibilities considered fantastic one hundred years ago are commonplace today, while problems considered relatively easy to solve a century ago

continue to give us headaches? What is one of the major differences between the telephone, television, and airplanes, and our highway system? [*Encourage each person to answer.*] Yes, one of the major factors is that the airplane, telephone, and television were developed by free enterprise, while the maintenance of roads has been the responsibility of government. Note that many other government programs, such as mail delivery, could be substituted for road maintenance as examples in the above illustration.

A few years ago, someone was cleaning house and found an electric bill which had been sent to a customer in 1907. The total of the bill came to \$7.00, for one month's service (14 kilowatt-hours of electricity), and the cost of the postcard was a penny.

During the intervening sixty-five years, the cost of mailing postcards has risen to eight cents each, while the cost of electricity has declined from 50¢ to less than 3¢ per kilowatt-hour. In other words, while the postage rate has increased by 600%, the cost of electricity is less than 6% of what it was in 1907!

Let's assume that a home uses 20,000 kilowatt-hours of electrical power annually. At today's prices, the cost for one year would be slightly less than \$600. If the rates were the same as in 1907, however, the expense would be around \$10,000. And if the cost of electricity had kept pace with the price of postcards, the annual electric bill for that home would be a staggering \$60,000!

Keep in mind that during this time free enterprise electric power companies have shown a profit in their operations, and paid billions of dollars in taxes, while the government-run post office has piled up deficits year in and year out.

This illustrates an important and unique characteristic of free enterprise: As the quality and variety of goods and services increase, the prices of those goods and services tend to decrease. In contrast, government-operated services (such as mail delivery) tend to increase in price as they decline in quality.

You youngsters were not even born when the first television sets were made. Not only were they very expensive, but it was a fortunate owner who did not require the services of a repairman every two or three months. Yet as more people decided

FOR SERIOUS STUDENTS

Another important feature of free enterprise is its tendency to bring forth many good results from the endeavors of men who may be quite unprincipled in their activities.

For example, study the career of John D. Rockefeller Sr. He was considered to be extremely ruthless, and many of his methods and actions were questionable. But because of the nature of the free enterprise system, while working to gain personal wealth and power he was compelled to produce goods and services which have been an enormous benefit to the world. Here are just a few of the by-products of the oil industry which he was instrumental in developing: plastics, asphalt, butane, propane, lubricants, and petrochemicals.

Now consider the results for mankind from the actions of ruthless and ambitious men who used government to gain wealth and power. What is the legacy of an Adolph Hitler, or Mao Tse-tung, or Joseph Stalin? Also note that the human suffering caused by such men has far exceeded, in brutality and numbers, anything ever attributed to men working within the free enterprise system.

Which system is the more humane? Which provides the most benefits and the most protection for its citizens? Why?

to go into the business of making and selling television sets, in order to meet the growing demand, not only did the quality of the sets improve, but the prices dropped to the point where just about every family could afford at least one TV, and in some cases two or three.

Another important characteristic of free enterprise which we should keep in mind is that, as a general rule, everyone involved in it wins. When consumers and producers are free to negotiate a price for goods, a sale is made only when each party believes he has received more than he gave up.

Suppose, for instance, that a farmer has more potatoes than he can use himself, and wishes to sell some of them. There is a potato chip factory in town, and the manager of the factory learns of the farmer's desire to sell the excess potatoes. So he visits the farmer and they try to agree on a price for the potatoes. If they *do* agree on a price, and the sale is made, it means that each will be satisfied with the sale. The money the farmer receives for his potatoes will be worth more to him than the potatoes, or he won't agree to sell them. Likewise, the potatoes must be worth more to the manager than the money he pays for them, or no deal will be made.

This same principle of "everyone a winner" holds true all along the line, right to the point where a customer in a supermarket buys a bag of potato chips. She wants the potato chips more than she wants the money she pays for them, and the owner of the supermarket wants her money more than he wants the bag of potato chips. There is a net gain for both, and each would be justified in saying "Thanks!" to the other.

Today, we hear about shortages in our economy of such items as gasoline, meat, and other energy and food items. To what extent could these shortages be caused or aggravated by government interference with our free enterprise system?

Our discussion of free enterprise would be incomplete without noting that this efficient economic mechanism cannot, by itself, guarantee that a nation will survive or prosper. This is because the free market pays no attention to the morality or immorality of what it supplies to people. If there is

a demand throughout a free economy for *Bibles*, they will be supplied. If there is a demand for pornographic trash, it, too, will be supplied. It is therefore important to remember that, if our nation is to remain strong and productive, our free enterprise system must have the support of citizens with high standards of personal morality and personal responsibility.

Concluding Thought

The ideal free enterprise system would be one in which everyone decides voluntarily what goods and services he will offer others, and each of us decides voluntarily which of all the goods and services we will or will not buy. Consumers and sellers would remain totally free to negotiate the price of goods and services between themselves, free of outside coercion by government. This ideal will never be *perfectly* achieved in this imperfect world, of course. But the important thing is that we constantly strive to achieve that ideal — not abandon it.

The Family Heritage Series

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For parents who wish to teach their children the true meaning of liberty, responsibility, and our Americanist heritage.

The **Family Heritage Series** is an outstanding series of weekly lessons for the home, written to stimulate interest and spark discussion about the legacy we have received.

The **Family Heritage Series** is for all parents with school-age children. It is sure to be valued by all Americans who participate in its Heritage Hour discussions, and would be especially welcomed as a gift.

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