

tial threat becomes *nationalization* with all of its inefficiencies. England has shown that nationalization produces monopolies and deficits. Stripped of the discipline provided by competition and by the entrepreneur's zest for profit, nationalization of English industry has generated high costs, decreased production, and alarming deficits—in 1975 nationalized industry lost \$2 billion of which the average worker's share was \$87.

5) In and of itself government is nonproductive.⁵ The only valuable money that government can disburse is that collected or received by borrowing. In the last analysis, *government can give to some people only that which it has taken from others*. A corollary to this statement is: Government cannot spend money without decreasing the amount of capital which otherwise would be used by the private sector for the generation of profits and the spawning of jobs sequential to the process of profit pursuance. Another corollary is the following fact: inflation (like that of the 1970s) severs the vital cord between the effort-and-ability of businessmen and their achievement of a compensating reward (i.e. profit).

Summary

Profits in our society are important as an index of the success of individual businesses and of the

American economy as the composite collection of all individual businesses. *Profits* are important

- to the maintenance of job security. Nothing is as hurtful to jobs as the inability of a given business to earn a profit.
- to the process of obtaining new investments of capital.
- as proof of the economic justification for the existence of a given business or industry.
- because it is the pursuit of profit that spurs the production-of-wealth process and the concomitant fulfillment of consumer demand.

All of us should understand the *functional role of profits*. All of us should be ready explainers of the profit system to all who will listen. If people understand how the profit system works, they will not be fooled by anti-profit propaganda. However, as previously stated, people generally do not really understand the functional role of profits. And the anti-profit forces are often very volatile.

What is our responsibility? *Only those who really understand the functional role of profits are qualified to explain them*. We must assume the responsibility of explaining the profit system. We must make the explanation so logical and so interesting that people will listen, make it so clear and convincing that they must and will understand.

IN a country where capital is scarce and business leadership talent is in short supply, profits will and must command a larger share of the national income than in a country where both capital and talent are relatively abundant. The failure to recognize this fact is the single most important deterrent to economic growth in the under-developed countries of the world today. The governments of those countries, inspired in part by the anti-profits bias of both the socialists and the modern liberals, have tried to keep profit levels low, or have punished or nationalized the high-profit firms.

BENJAMIN A. ROGGE, "Profits"

In short, as participants in and beneficiaries of the system of free enterprise, it is our responsibility to understand the functional role of profits; and, further, it is our responsibility to uphold, defend, and improve the procedures of our free enterprise system and all of the freedoms resting upon it. *Never should it be forgotten that the system of free enterprise is the cornerstone of our whole political structure.*⁶

Forfeiture by Default

Never should it be forgotten, further, that free enterprise (i.e., capitalism) is the only kind of economic system compatible with individual liberty. Concurrently, *we should constantly remind ourselves that no freedom has ever been maintained when its advocates have been passive and apathetic in its defense.*⁷ Passivity is an invitation to disaster because failure to defend our system of free enterprise is a failure to defend economic freedom and personal lib-

erty. *Freedom* is not free. And "failure to defend free enterprise" is a non-act which forfeits (by the process of default) the economic debate which free enterprise involves. Further, it invites "professional critics" and demagogues to press their claims for the substitution of uncontrolled spending and compassionate rhetoric in place of economic common sense. They seem not to understand for example, that government cannot borrow or spend its way to prosperity or solvency. They seem, also, not to understand that a declining economy which gives increasing acceptability to the practice of taking from the productive in order to support the willingly nonproductive can have one result only: a poorer United States of America because of a decline in the amount of material production per capita.⁸

All of us should be staunch and well-qualified understanders of our profit-and-loss economy and, also, should be equally staunch and well-