Social Responsibility

PROFIT-SEEKING businessmen are often accused of neglecting their social responsibilities. But in a free and open market, profit-seeking itself performs an important social function.

To see this, we need to understand free market pricing. In an unhampered market, the businessman adjusts his asking price so as to just sell all his products. If he tries to charge more than this market-clearing price, he loses so many customers to competitors that he can't sell all his wares. If he charges less than the market-clearing price, the demand for his product exceeds his supply. Only at the freely determined market-clearing price can the businessman sell as many items as he wants, and customers buy as many items as they want.

The intelligent businessman is well aware of this. He knows that he can't make profits by simply raising his prices because he would soon lose customers to his competitors. There is only one thing he can do—cut costs of production. Thus, the businessman tries to use his men and materials in the most efficient manner possible. And, because he must pay market wages, prices, and interest rates, he tries to minimize the number of people he employs, the amount of capital he uses, and the quantity of natural resources he consumes in producing his goods and services. In other words, he tries to practice conservation.

Thus, in a free and open market, with no government subsidies or other special favors, businessmen earn profits by using as little as possible to provide consumers with as much as possible. The greater the profit a businessman earns, the more scarce resources he leaves for other people to use. What is irresponsible about that?

—Brian Summers

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533

Government and Taxes

Government has to tax citizens for every dollar it spends. And these taxes are extracted from the citizens in three ways. One is visible. The other two are hidden.

Visible taxes are so unpopular that the majority forces its representatives—at the peril of losing their jobs—to minimize these taxes their constituents see. Yet this same majority continues heedlessly demanding more from government than they will knowingly pay to government. The excess must be collected in unsuspected ways.

The first hidden way is through taxes outwardly levied on business but necessarily passed on in higher prices which the misled majority does not blame on government but on business. This is a regressive consumer sales tax.

The second hidden way—to make up the difference between the spending and the two above taxes—is through the government borrowing. Some of this is from private sources—resulting in reduced capital for productive uses, in higher interest rates, and thus in slowing or preventing progress in values and jobs.

The final and major part of the $200 billion excess spending is collected from citizens through the borrowing that is monetized. This dilutes the value of everyone's earnings, savings, pensions and welfare checks. It is the tax of inflation—the most brutal, deceitful, debilitating and regressive of all taxes. Lenin predicted we would destroy ourselves with it, and we have been trying our best to prove him right.

Thus, if the now suggested $50 billion new tax money were all miraculously allowed by a vote-hungry Congress to pass through into a deficit reduction of like amount, the debilitating cost of government would still be exactly the same.

Only a *net* reduction in spending—and thereby in the total of the three taxes—will reduce the cost of government and its major contribution to our inflation, unemployment, high interest rates and non-competitiveness.

—Lemuel R. Boulware

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