

THE
MERITS
OF **FREE**
ENTERPRISE



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The Merits of Free Enterprise

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INTRODUCTION

For a moment, put aside all you've been told about both centrally-planned or "socialist" economic systems and free enterprise systems. Instead, think about how you would want an economic system to work if you could construct one from scratch. Who would you want such a system to benefit, and how could it best create prosperity?

Would you construct an economic system that allows individuals to improve their lives by meeting other people's needs? A system in which people constantly strive to do so by competing to provide the best quality goods and services at the lowest prices? A system that rewards individuals in direct proportion to the level of their success in satisfying others?

Or would you construct an economic system in which the government determines what goods will be produced and the amount of available product? A system in which individuals compete to get the most they can for themselves from that limited supply? A system in which the only way to materially improve your life is to become useful to—or one of—the political elites who run the government?

Of course, the system in which people strive to meet the



needs of others is free enterprise, while the system in which people compete against each other for the favor of government is a centrally-planned or socialist system. This may not be what you have been told about the merits of free enterprise versus socialism. But it is the reality of how each system works.

Perhaps not surprisingly, free enterprise systems consistently outperform centrally-planned economies. Don't take my

word for it. Just compare the Cold War-era poverty and despair of socialist East Berlin to the prosperity and vitality of free West Berlin. You would have seen two halves of a city with the same culture and ethnic makeup but two diametrically opposed economic systems and outcomes.

For a similar but more recent comparison, look at a nighttime satellite photo of the Korean peninsula, a nation split in two following the Korean War. Free market South Korea is lit like a Christmas tree of prosperity. North Korea, with its centrally-planned economy, is a dark pit of poverty and despair.



A nighttime satellite photo of the Korean peninsula, depicting centrally-planned North Korea and free South Korea, demonstrates the superiority of the free enterprise system over socialism.

You may have been told that Scandinavian nations like Denmark and Sweden are examples of how centrally-planned



economies can succeed. This is simply untrue. Both Denmark and Sweden have free market, rather than centrally-planned, economies. In fact, while the Heritage Foundation's 2020 Index of Economic Freedom ranks the United States the seventeenth freest economy in the world, it ranks Denmark the eighth freest and Sweden the twenty-second freest—out of 180 nations.

Both Denmark and Sweden do have expansive social welfare systems. For years, both countries have been debating whether the costs of these systems, and the tax rates necessary to support them, discourage work and investment while reducing individual initiative. As a result of those debates, both countries have been reducing taxes and shrinking their social welfare programs.



Former Danish Prime Minister Lars Løkke Rasmussen notes in 2015, "Denmark is far from a socialist planned economy. Denmark is a market economy."

So, why is there such glaring disparity between free market and centrally-planned economies when it comes to creating prosperity? The answer is simpler than you might imagine.

Free enterprise encourages individual productivity. First, it empowers people—consumers—to guide the economy in the direction that is most beneficial to them. Second, it incentivizes individuals to meet the needs of others to the maximum extent of their talents and abilities.



Socialist economies, on the other hand, discourage productivity and individual initiative by placing the direction of the economy in the hands of a small group of government elites and incentivizing individuals to focus on their personal needs to the exclusion of the needs of others.

WHAT HAPPENS WHEN CONSUMERS GUIDE THE ECONOMY?

In a free enterprise economic system, economic power lies in the hands of the people—consumers. Free enterprise is the truest form of economic democracy. Consumers vote with every dollar they spend, determining which businesses succeed and which fail. Businesses need consumers' votes to succeed, and they compete for those votes.



In a free enterprise economic system, entrepreneurs and their businesses succeed only by meeting the needs of others.

For more than 16 years, I was the CEO of CKE Restaurants, the parent company of Carl's Jr. and Hardee's quick service restaurant brands. We spent millions of dollars every year trying to determine exactly what consumers desired. What



products did they want, and how could we offer them at the best price? In the free enterprise system, knowing what your customers want and offering it to them at an affordable price is the key to success. In fact, it's the key to survival.

Think about the thousands of products in your local grocery store or shopping mall or on Amazon, all vying for your attention. Each of these products represents an entrepreneur striving to meet your needs as the way to achieve his or her success.

The collective purchasing power of consumers—consumer choice—guides the economy and determines which



Madam C.J. Walker launches a successful cosmetics manufacturing business in 1910, becoming the first female self-made millionaire in America.



Photo Credit: CKE Restaurants Holdings, Inc.

Carl's Jr. restaurants serve thousands of people around the world each day by providing them with an affordable and convenient meal.

businesses succeed and which fail. As a result, when Henry Ford began mass producing cars on his famous assembly line, he was building them for common people, not kings, queens, or nobles. When Madam C.J. Walker created her cosmetics empire, becoming America's first female self-made millionaire, she designed beauty products for ordinary African-Americans, not movie stars or socialites. Steve Jobs created iPhones for all of us, not government elites. When Jeff Bezos designed Amazon—the most incredible



distribution system in history—his intent was to provide easy access to goods to meet the needs of all, not merely the rich.



Under the leadership of its founder and CEO, Jeff Bezos, Amazon has revolutionized the retail industry by delivering products to customers with tremendous efficiency, sometimes in a matter of hours.

By rewarding successful ventures, like Ford, Madam C.J. Walker Manufacturing, Apple, or Amazon, free enterprise encourages innovation across a broad spectrum of society, with people from every walk of life striving to come up with the next great idea—the next product or service consumers cannot live without. It also encourages individuals to run successful businesses that meet people’s needs on a smaller but still incredibly significant scale. When these individuals succeed, the free enterprise system rewards them. The greater the success, the greater the reward.

Of course, the result is some level of economic inequality—and that is good. Ford, Walker, Jobs, and Bezos did not get rich by stealing from us. They accumulated disproportionate wealth because they provided us with disproportionate benefits. We are all materially better off today because of what such successful individuals were able to achieve—and, thankfully, so are they. We are also better off thanks to our successfully run local restaurants and grocery stores, as entrepreneurs at all levels strive to meet our needs.

That may not be purely altruistic conduct—since free enterprise depends on the natural desire of people to better their own lives—but it channels that natural desire into



focusing on the needs of others. In this sense, far from depending on greed and self-interest, free enterprise is actually a constraint on those evils. With everyone focused on bettering their lives through meeting the needs of others, people are more energized and productive, which inevitably leads to prosperity and abundance.

WHAT HAPPENS WHEN BUREAUCRATS GUIDE THE ECONOMY?

What about supposedly fairer and more benevolent centrally-planned economies? Socialism compels people to shift their focus inward, to their own needs and wants. In a socialist society, you succeed by getting more for yourself from the limited supply of goods, services, or benefits the government makes available.

When standing in the inevitable bread line (because they are less productive, socialist economies never seem to be able to feed everyone) or in line for gas or government-



Venezuela's centrally-planned economy fails to provide basic goods for its people, with millions of Venezuelans facing a chronic shortage of groceries today.



rationed healthcare, people do not think about the needs or preferences of those in front of, or behind, them in line.

To the contrary, they try to figure out how to get as much as possible for themselves. Unlike people living in free market economies, people competing for their share of goods in a centrally-planned economy focus on meeting their own needs.

How do you satisfy your needs in a socialist economy? Whether you get more for yourself depends on how well you please the political elites. Those willing and able to make themselves useful to the powerful get special privileges, and since socialist systems produce so little wealth, the number of people with those special privileges is exceedingly small. Everyone else, who is neither useful nor well-connected, stands in the inevitable bread line or waits his or her turn for gasoline or healthcare.

Whatever potential individuals may have had to better society is lost as they compete for a greater share of the government's largesse against those they could otherwise be benefiting. There are no Fords or Walkers or unnamed small business entrepreneurs in collectivist economies. Consequently, society never realizes the incredible benefits that result from people striving to improve their lives by meeting the needs of others.

CONCLUSION

Free enterprise systems are designed to take advantage of the very potential which centrally-planned economies suppress.

Let me close with a personal example.

In 1912, still in his teens, my grandfather left his home and family in the Austro-Hungarian Empire and came to America's shores in search of a better life—as immigrants have done throughout our nation's history. My dad was a



The affordability of Henry Ford's Model T car allows ordinary people to purchase a personal automobile for the first time in their lives.

Ford car salesman as I was growing up (thank you, Henry), and we were a working-class family living outside of Cleveland, Ohio. That's not something I ever thought about. It was just the way things were.

But, like my grandfather, I aspired to a better life and, because he had the courage to leave his home and family as a teenager to come to America—with its free market economy—there was a path for me to be successful. It was an arduous path, but, unlike the country he left, there was a path. I worked every job I could find no matter how tough or dirty, as I had no government or family help to get through college and law school.

Eventually, I succeeded and became a lawyer and then the CEO of an international corporation that generated over \$4 billion in revenue with 3,800 restaurants in 45 states and 40 foreign countries.

There has never been another country in the history of the world where a working-class kid like me could even aspire to that level of success with any realistic chance of achieving it.



That's the American Dream, and it exists because of free enterprise. Had I been born in a socialist country, the notion of lifting myself up from the working class would either never have occurred to me or, if it had, would have seemed an unachievable dream.

The same is surely true of Henry Ford, Madam C.J. Walker, Steve Jobs, Jeff Bezos, and millions of other successful entrepreneurs both large and small. Had they been born in centrally-planned economies, they would never have realized their potential or been able to employ that potential to the benefit of others.

The loss would have been ours.



A free enterprise economic system allows entrepreneurs to pursue their dreams and create products and services that better their lives and those of millions of others.



ABOUT ANDY PUZDER



Andy Puzder is a popular Young America's Foundation free enterprise speaker and ally. He was the chief executive officer of CKE Restaurants, the parent company of Hardee's and Carl's Jr., for more than 16 years. Prior to that, he led a successful career as an attorney.

He is currently a senior fellow at the Pepperdine University School of Public Policy. He was nominated

by President Donald Trump to serve as U.S. labor secretary. Puzder is the co-author of *Job Creation: How It Really Works and Why Government Doesn't Understand It*; *The Capitalist Comeback: The Trump Boom and the Left's Plot to Stop It*; and *Getting America Back to Work*, a broadside from Encounter Books.



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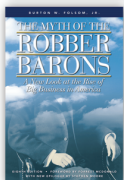


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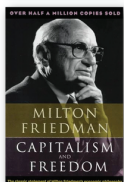
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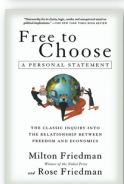
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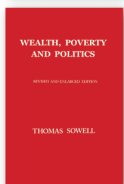
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