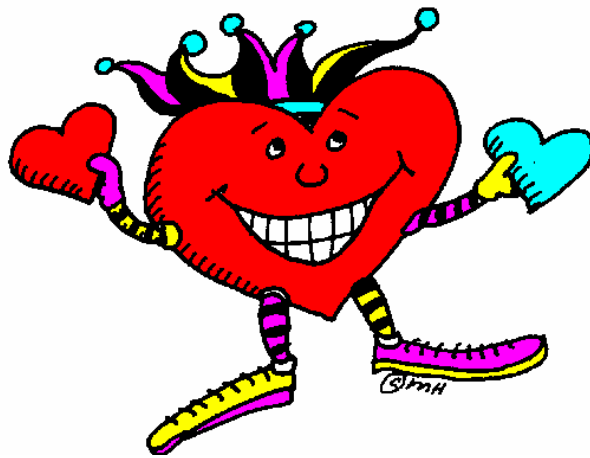


THE FREE ENTERPRISE BOOK

15 Key Principles of Free Enterprise

The Story of Allen, Andre, Marcella and Sabetha



By

Jerry Dean Epps, Ph.D.

ABOUT THE AUTHOR

Dr. Jerry Dean Epps, (Ph. D. in Human Services, M.A. in Sociology, and B.A. in education) is a teacher and a counselor. He has taught at the university and elementary levels. He has spent a lifetime teaching in, and devising instructional materials for, various projects that he loves. He has spent time in Latin America and enjoys a passable facility in speaking Spanish. Post 9/11 he searched for ways to make the world a better place for all people. He decided that spreading democracy is a viable way to do that. Writing this book for school children around the world seemed a reasonable way to start. It is a heart gift to the human family. He lives with his wife in Marietta Georgia, USA, and is active in Spanish activities, counseling and business. He desires for all people to be free!

TO MY HEROES

To all those people who have dared to take a stand for Freedom. Some have done it in war zones. Others have done it in civil rights movements. Some have taken that stand for their country; others have taken that stand for their group. Wherever oppression has reared its ugly head there have always been some brave souls who have risen to the challenge and answered Freedom's call. I bow to them. In my heart, be they female or male, soldiers or civilians, they are heroes. Some answered that call and paid with their life's blood. Others paid with a lifetime of tireless efforts to rid the world of despots and thugs and the oppressive tyranny they bring. I wish to honor them all with this simple book. Down through the ages the heroes have stood for Freedom. Now it is our turn to answer the call. To further the advance of Freedom I offer this book. I hope it will help spread Democracy around the globe. To all who assist in that process, I wish to honor you too. A special thanks goes to my wife and supportive friends who encouraged me to continue with this project to completion.

CONTACT THE AUTHOR:

You may contact the author by email: drjerryepps@gmail.com or visit him on the internet at: www.TeachDemocracy.org

This book is FREE

THE FREE ENTERPRISE BOOK Copyright 2010, Jerry Dean Epps, Ph. D. See below for teachers who are encouraged to freely use this material.

People in all countries may download the book **free of charge**. If there ever are any proceeds from book sales in the USA they will be used to help promote the series around the globe, especially in the developing world.

This is **copyright protected** material. You may not sell this book for profit. We encourage you to download it and use it free of charge. The author hopes the Freedom for All People Series, including of course this book, The Free Enterprise Book, will be used by students all around the world and thus enhances the establishment of democracy, especially in developing countries.

May the children and all people of the world have a better life because this book increased the chance that they will live in a democracy. It will be my great pleasure to know that you used this book. Please send me a note and tell me how you used it and the benefits you think it brought to the students. You can write to the address above or you can send an email from the web site.

Illustrations in this book

Many illustrations in this book are the creation of Mark A. Hicks and he is the copyright holder of his work. He has won numerous awards for his various works. I love his work. At www.Markix.net you can see more of it. Because of his generous nature he has given permission for me to use his illustrations in this book and for this I am most grateful. I found his illustrations in the DiscoverySchool.com Clip Art Image Gallery and wish to express my thanks to them as well for making the images available. My sincere appreciation goes to DiscoverySchool.com and to Mark Hicks. The world is a better place because of their contributions.

Some of the illustrations are my own. Mark's are noted with an asterisk (*) near them. My own bear no asterisk.

Jerry Dean Epps, Ph. D.

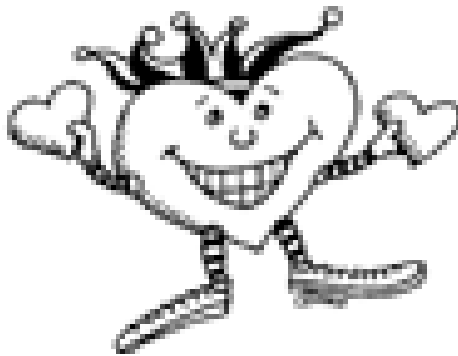
Recommended Reading: Dr Paul Polak teaches us, with examples from real life projects in the field, how people can end their poverty—and what the developed world does that helps and that hinders. He does more than hint at, whether it is about hand pumps for water in Bangladesh or donkey carts making people in Somalia wealthy, what will happen if the entrepreneurial spirit of the developing world were awakened! Read his fascinating yet practical ideas in Out Of Poverty, Polak, 2008.

Table of Contents

- Principle 1: Essentials that people need for physical survival are food, water, clothes and shelter.1
- Principle 2: Non-essentials that people desire for emotional enjoyment are things like toys for their children, special foods, nice clothes and free time.3
- Principle 3: People are motivated by profit and will work to get profit so they can buy the essential and non-essential goods and services they need or want.5
- Principle 4: “Pride of Ownership” comes from people earning and owning the things they use.7
- Principle 5: When people have money to save they have a chance to invest their savings in businesses that will give them profits in the future.9
- Principle 6: Rule of law is important so workers, owners and investors know that investments they make today will be treated fairly in the future. 11
- Principle 7: Stability in economic conditions allows owners, workers & investors to predict likely future profits. 13
- Principle 8: When entrepreneurs start businesses they often need to borrow money (capital) and pay it back in small amounts over time. 16
- Principle 9: Jobs are created when businesses grow or new businesses are created. 18
- Principle 10: Ready access to capital is necessary for economic growth. 20
- Principle 11: Competition forces businesses to be efficient so they can produce quality goods and services for a low price. 22
- Principle 12: Supply and demand in the market place determines what goods/services are offered and what their price will be. 24
- Principle 13: Each time value is added to a product/service it’s worth is increased and it’s price will go up. 26
- Principle 14: Wars are costly and drain a society of its valuable human and material resources. 28
- Principle 15: Corruption in business and politics wastes money and produces unqualified leaders. 30

The Free Enterprise Book

The Story of Allen, Andre, Marcella and Sabetha



By

Jerry Dean Epps, Ph.D.

The Basics

Principle 1: Essentials that people need for physical survival are food, water, clothes and shelter.



All people everywhere need food, clothes and shelter to survive. In the drawing we see bread, water and the man holding a fish. With those essentials he can survive. Food is considered to be necessary to nourish the human body. Generally, people who don't eat get very hungry. Eventually, if they don't have food and water, they die. Clothes are also needed. Without clothes, in most climates, one suffers from exposure to heat and to cold. Life without clothes, for most people, is very uncomfortable and in some climates it is impossible. Shelter is like clothes, it keeps the elements off the human body. It holds in the heat in cold climates and keeps out the heat in hot climates. It keeps the rain off our bodies our food and other supplies.

What would it be like to wake up and be all wet from rain and also be very cold? You would be freezing!! The wind blows and you feel even colder. Feeling hungry and wanting breakfast, you look at your flour and discover it is spoiled because it got wet and set too long. You need a shelter! You need a place to live that keeps the rain and snow out, holds in the heat and is comfortable for sleeping. In modern times, it is considered impossible to live without food, water, clothes and shelter.

Story

The parents sat visiting happily in the passenger compartment of the huge airliner as they flew over the rugged mountains to their holiday vacation. The children were safely seated in the crash proof capsule of this specially built airplane. Everyone knew the security capsule was constructed to withstand even the worst of crash landings. The children knew they were safe.

Then they heard a loud bang and the plane lurched! They heard another explosion and the capsule shook violently.

Oh no! They were going down. It all happened so fast! The children were screaming and crying. They were in free fall. Then they felt the impact of the crash! There was only silence.

It was several minutes before they all came to and exited the security capsule, but when they did it was obvious that all the parents were dead ... and the plane was on fire. They had to get out quickly!

“This way!” Andre yelled, and the others followed him out ... out into the cold and snow. They flopped down on the snow. They just sat there and looked at the snow, and at each other—their minds were trying to catch up with all that had just happened. They were stunned ... and they were freezing cold. Their light summer clothes were no match for these frigid temperatures. With all the snow, the fires were beginning to burn out.

Finally, it was Marcella who set her feelings aside and tried to think sensibly. She spoke. “Only a few hours of daylight left ... we’ve got to collect food and water and prepare a shelter to protect us from the wet snow and the cold. Look for blankets; we can use them for temporary clothes.”

Some of the children were still crouched in the snow, crying. But the others set to work. David and Kovrich were dragging seats to the enclosure near the tail section and making them into walls. When they covered the walls made from seats with plastic tarps, it kept the wind and the snow out. Someone found a large pot and filled it with snow. With the burning coals they had managed to gather from the still smoldering fires, they soon had a fire going that melted the snow into water. The fire also made heat inside of the shelter. The warmth felt wonderful!

Marcella and Kovrich made sure all the food they could find was placed inside the shelter to keep it from being destroyed by weather or eaten by forest animals during the night. At least for now, they had food and water, shelter, and clothes made from blankets. They were not freezing and they were not hungry. They fell asleep.

Principle 2: Non-essentials that people desire for emotional enjoyment are things like toys for their children, special foods, nice clothes and free time.



After people are fed, have a place to sleep, clothes to wear and feel secure that their physical needs are met, they still want things. They do not want to just survive, they want to have fun and have free time to relax. They want to go to parties! They want to eat food that tastes good. The waiter in the drawing is serving a fancy meal. The football will be a gift to a child. The girl's parents have made it possible for her to play basketball. The parents want good things for their children. They want their children to have fun. They want to give them toys, good health care and a good education.

People don't just want to survive, they want to enjoy life! Sometimes enjoying life is about physical things. Cars, boats, bicycles, radios, computers and televisions are all examples of that. But enjoyment does not just come from things. It comes from one's emotional state. People want things and situations that will make them feel good emotionally. It may come from feeling safe. Or it may come from having pleasant times with friends. Many people get enjoyment from their house. They often want a quiet and nice location in which to live. Many are willing to pay more money so they can live in the nicest part of town where there is less crime and the properties are beautifully landscaped. Things like beautiful yards and parks, quiet and peaceful streets and low crime rates are highly valued in most societies.

Story

The nearby stream provided plenty of fish and even some water birds and water animals. They weren't going to starve to death. The plane's communication equipment had been damaged so thoroughly that they soon gave up any hope of contacting anyone or of being rescued. No one would even know where to look for them. They were on their own.

Over the next several weeks the children fell into a routine—an efficient one that got the basic chores done with time left over. They started getting bored. Yes, they could always gather even more firewood, or catch more fish—but what they wanted to do was have some fun! Just being fed and alive was not enough. They needed something interesting to do.

It was Marcella who said, “I know our parents are dead—but they would want us to go on living—I mean really living! They always wanted the best for us. It’s just that now we are the ones that have to provide the best for us.”

Allen added, “Yeah, my parents were always trying to get me to be less grumpy and more happy. Now I need to stop with the grumpy and start going for happy. I think we all need to do that.”

Marcella spoke again, “I agree with Allen. We can mope around like victims, ‘we are lost and life is terrible!’ Or we can make our lives good. What do you guys say?”

Mumbles, nods and a few words indicated that Allen and Marcella had convinced the group. Surviving was not enough—they wanted to be happy too.

The very next day Andre came up with an activity to hold their interest. “Anybody else tired of living in a burned out airplane?!” Several said yes, they were tired of it. “Well, let’s build our own little houses. Of course, not big fancy ones like we had back in civilization, but build little huts or cabins where two boys or two girls can live.,”

Sabetha announced, “Well, if we are going to do this, I want a good cabin to live in and I want a nice site to build on—I want a view of the meadow and the stream. And I don’t want to be looking right at the back of someone else’s cabin!” Sabetha was always looking out for herself!

Early the next morning Marcella and another girl were out pacing off “building lots”—11 meters by 11 meters. Others joined in. Even Sabetha was working. She was sharpening stakes—corner stakes. Allen, whose dad had been in real estate, made sure they left wide public paths, like streets, running up and down in front of the lots. By late afternoon staked building lots covered every bit of the floor of their little mountain valley. The sides were simply too steep for building. They had laid out their village.

It was clear to all that not all lots are equal! They all knew what Sabetha meant when she said, “It would take three or four of those poor lots down there to equal just one of the good ones up there.”

So the race was on! Who would get the best lots and would wind up with the undesirable ones? And who would end up with the nicest cabin?”

Principle 3: People are motivated by profit and will work to get profit so they can buy the essential and non-essential goods and services they need or want.



People may grow a garden and sell the vegetables. The money left over after the costs of growing the garden is called profit. Profits are desirable because they give people the freedom to buy essentials and non essentials so they can enjoy life. With their profits, they can buy whatever they want from the shopkeeper! The shopkeeper likes making a profit too. People think very hard to come up with ways they can earn a profit. Some say, “Profits equal power!”

If a man is a painter he may offer to paint his neighbor’s house for a certain amount. He figures cost of the paint. He figures the cost of brushes, maybe a new ladder if the house is tall and the cost of some work clothes. He adds up the costs of all the equipment he needs. Then he adds on more money that he can keep for himself—money over and above the equipment costs. This will be his profit. If he adds on too much profit the paint job will be too high and the neighbor will give the painting job to someone else. If he adds to little, he won’t make enough profit to make it worth his time and effort. He tries to get it just right—not too high and not too low. He is motivated to get the job so he can earn the profit.

Whether it is starting a business or taking a job on a farm or in a factory, people do it to earn a profit. People are very motivated to earn profits. Why? So they can buy the essential and the nonessential things of life that they want!

Story

Allen approached Andre cautiously. “If we work together as a team we could catch enough fish and gather enough firewood and do whatever else the others need, that we would have plenty left over—if you get my drift!”

“Why would we do that?” Andre asked. “Let them get their own fish, wood and whatever!” This made Allen grin.

“What?!” snapped Andre, seeing Allen grinning like a Wall Street profiteer.

“You don’t get it, do you? Let me explain”, said Allen, feeling a little superior now. “Some of them are not as good at this stuff as we are. We can SELL them our extra fish and whatever. We all had money when we crashed. There is lots of money here! It

might as well be ours! They can buy from us. We all win! They don't have to work so hard and we get the profit, you know, the money left over after we have paid ourselves for our labor and so on."

Andre was grinning now too. "Yeah, we'll have our own little business. We can figure our costs, like you said—labor and other costs—then charge more than that. We will be rolling in the profits!" Andre was as excited now as Allen. He could see that there clearly was a need, and he and Allen could fill that need, and make money doing it!

"We don't have to stop with fish and wood!" Allen exclaimed. "Like with the new project you thought up ... you know, building huts. We can sell them too. We'll figure how much it costs us—all the wooden pegs to whittle, ropes to be made of braided vines, laborers to help, etc.—and we won't try for too big of a profit, and not too little of course; just enough so they will pay it and we still can earn a nice little profit."

While Andre was thinking of how much money to charge the other kids for a bundle of six fish, David and Kovrich walked up slowly, heads held high—like they were important people.

Everyone in their almost-to-be "village" wanted things, essentials for sure and the non-essentials too. The idea of how to gain a profit so they could get the things they wanted was on the mind of others too—not just Allen and Andre.

Kovrich, usually a little shy, spoke up first. "Hey guys. We are here to make your lives easier."

"Oh yeah?" Shot back Allen. "Does this have anything to do with the story going around that you guys took all the heavy duty clear plastic that was still good and hid it?" Everyone was silent for a moment.

"Ok, but it's ours now. I know you guys will build a cabin," David said. "You are going to need windows—we'll sell you the heavy duty clear plastic you need for your windows. We know you've got money."

"And I suspect you are planning to earn a nice little profit", murmured Andre.

"Of course," shot back Kovrich. "If we don't make a profit we can't buy stuff to eat or rent Sabetha's DVD player for an evening."

Principle 4: “Pride of Ownership” comes from people earning and owning the things they use.



The girl works to make her yard beautiful. She owns the yard and takes great pride in it looking good! It takes a lot of work to keep houses, machines, gardens, clothes, cars and other things looking and operating their best. Things need care. People can take great pride in how nice their things look and how well their things operate when they have taken good care of them. This is called a “common human trait found around the world. It is pride of ownership.” Pride of ownership means that when people own something they will take better care of it than they would if they just rented or borrowed that same thing. There are exceptions to every rule, but in general, the pride of ownership principle applies.

It also means that giving things to people to help them usually does not lead to pride of ownership. Dr. Paul Polak, in his book, Out Of Poverty, (p 35) speaks of the many times aid groups have given free irrigation pumps to farmers in the 3rd world—only to see the pumps end up in the junk pile! In two year’s time, most of the pumps don’t work. Without personal investment, no one assumes ownership! Therefore, when pumps break, no one fixes them.

People like to own their things. They feel proud that they worked to earn the money to buy the item. Being given an item usually does not make owning it feel personal or special. Even if the amount is small, buying an item with their own money gives people “pride of ownership.”

Story

Sabetha walked up to Allen and said: “I hear you and Andre are going to be building huts—is that right? I’ve got money; I could pay ... that is, if you will promise to make my hut more special than the average hut. And I will want it on one of the better lots—you know, up high with a view.”

“Well”, began Allen, “for the right price we can build you a real fancy hut on one of the best lots.”

“Yes, that’s what I want—something I can call my own and feel good about it being mine. You know, it feels good to be the owner of something nice.”

“Even though you will hire us to build it for you, you’ll still have to take care of it. The hut will need care or over time it will start to fall apart. Then it wouldn’t look so

special!” He hoped she wasn’t mad at him for giving her advice. But being a spoiled rich girl, he thought she needed to know—things have to be maintained in order to look good and to keep on working properly.

“Of course I want my place to look good! And yes, I know that means it will need maintenance. I’m just spoiled, not stupid! And remember, I am your first customer. Do a good job for me and others will want to hire you too.” And, as usual, feeling a little superior, off she went—with visions in her head of being the most important lady in their new village.

Andre felt he and his partner, Allen, should do something nice for the three kids who had been sleeping in the worst part of the airplane shelter. They all three had bad colds.

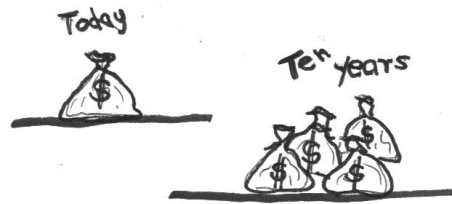
So Andre and Allen took some of their materials and put in two days making a temporary, but warm and dry, small hut for the three. The lot wasn’t great, but it was one the others weren’t likely to be fighting over. At first the three seemed grateful.

But after a few weeks things started going downhill. The three, with Phillip as their leader, tore some of the material off and sold it. They did not keep the hut clean. When leaks developed they refused to use tar to fix the leaks. Allen and Andre were furious!

“That’s it!” Andre exploded. “No more giving it away! We gave them a nice little hut and they let it fall apart. Did they take a personal interest in it and treat it special? No! They just moved out and left it!”

“We should have sold it to them—so they would have had something invested in it,” Allen said. “I think if they had owned it they would have taken better care of it—you know, personal pride and all.”

Principle 5: When people have money to save they have a chance to invest their savings in businesses that will give them profits in the future.



Magic won't make money grow, but regular saving will. Many people dream of the day when they will earn profits without having to work. Some people save a part of their income each week or each month. They start with a little and end up years later with a lot. They put it in a bank or other safe place. They want to build up their savings to a large amount. Why do they want a lot of money saved?

They like to earn interest if they put their savings in the bank. The bank will pay them a fee, called "interest", on money deposited in the bank. The bank can use the money to make more money, and then pay back the depositors, and also the bank has made a profit.. Individuals will put money in a savings account with a bank so they can make a profit (earn interest) on their money.

Some people are willing to take more risk, in hopes of getting more profit. They put their money in an investment that will return them more than the bank return. These investments are not as safe as putting money in the bank. However, the profit potentials are greater. There are many different levels of investment risk. Each person chooses the level of risk he can live with. In general, we think the greater the risk, the greater the profit potential. But potential is not a guarantee. Some investments fail and people lose most of their savings.

People hope to have money left over after they have paid their expenses. They can save it and invest it. A wise investment will pay a good return for many years into the future. If they save their money now, and invest it, it will continue to pay them in the future. This will be their security in old age.

Story

Sabetha not only wanted the nicest cabin, she also did not want to work. She wanted to be a lady of leisure. She was planning to invest her money in a way that would make money even though she was not actually working. That was the reason she wanted to be friends with Allen and Andre. She thought they had a good chance of running a profitable business. There was no bank in their little valley, so depositing money in the bank so it could earn interest was not an option. It would be a risk—she hoped it would pay off! Besides, she wanted to earn more than interest—she had her eye on really big money.

She realized that Marcella had quite a lot of money too. She had seen it one day when Marcella's suitcase fell open.

"Marcella!" she called out, and hurried to catch up to her. "I thought we should talk."

"Okay, what about?" Marcella asked.

"I don't think you want to always work as hard as some of kids are having to, do you?"

"Of course not, but I need to eat. Do you have a secret plan or something?"

"Maybe," Sabetha said with a smile. "Want to hear my 'secret' plan?"

Marcella was all ears—she was very eager to hear! If there was a way to have food, shelter, clothes and enjoyment without having to work a lot she wanted to know about it.

"Tell me! Tell me!" she was so excited.

"Okay, it works like this," Sabetha started to tell Marcella the plan. "We each saved our money regularly before this vacation trip. I saved each week and I think you did too. Some kids didn't—and now you and I have quite a lot of money, compared to most of the others."

"I saw you talking to Andre and Allen—how do they fit into this?" asked Marcella.

"Glad you asked" Sabetha said. "They don't have much money, but they have great ideas about how to make money. They are energetic and will work hard. They are entrepreneurs. We can give them our money to use, and they will make it grow. They will make profits and so will we—only they will be doing the work. But for us, well, our money is what will be doing the work for us."

"Wonderful!" exclaimed Marcella. "I know it is a risk, but big risks can equal big profits! Let's do it!"

"You realize," said Sabetha, "This is not a guarantee. Allen and Andre could mess up and we could lose a lot of money—maybe even all of it! I don't think they will, but this is not safe like putting money in the banks back home."

"Right!" chimed in Marcella, "but we don't expect to make interest of 5 or 8 %--we're going to make a lot more!"

Off they went to talk to Andre and Allen. They were very excited about becoming investors so they could earn profits without actually working!

Conditions Needed For Business

Principle 6: Rule of law is important so workers, owners and investors know that investments they make today will be treated fairly in the future.



When an investor contracts for a 9% return on his investment he wants to know it can't be changed to 5% in the future. Rule of law is what keeps this from happening to him. The judge makes sure laws are upheld so there will be fairness for all. If a worker is contracted to work for \$9 an hour, he wants to know the owner can't change it to \$7 an hour after he has gone to the effort and expense of moving his family to the new job location. If an owner builds his factory to government specifications, he wants to know the government can't change the law in the future and say his building is illegal!

Rule of law is what protects workers, owners and investors from having the rules changed. Rule of law keeps things predictable. People will take the risk to start a new business, or move their families to a better paying job, if they know the rules cannot be changed on them. Rule of law says greedy people cannot change conditions just because it will benefit them to do so.

Rule of law also says all people must be treated fairly. It is illegal to pay one group an hourly wage to pick fruit, or operate machines in the factory, and another group a lower wage.

In countries ruled by law, the economy is usually efficient and prosperous. It is illegal to pay bribes to officials to get special favors. If an owner's factory does not pass safety inspection, he cannot pay a bribe so the inspector will let him slide by while another owner is required to meet the safety requirements. In the long run, bribes are inefficient and costly and only hinder, not help, the economy. Rule of law prevents rule by bribe.

Story

When Allen and Andre met with Sabetha, Marcella, Kovrich and David they had primarily one thing in mind—protecting their contracts and future profits for years into the future. They were willing to work hard, to put in extra hours to make the hut building business a success, but they wanted to be sure that payments owed to them in the future would actually be made. They knew people can change their minds and so might not want to keep paying in the future. So, they had gathered the leaders in hopes they could reach decisions that would give them protection far into the future.

In a friendly tone, Andre started out. “We trust you guys and most of the other kids here, but we need to make sure ALL agree to go by the plans, you know, the regulations you might say. We don’t want to be cheated out of our money down the road. We want regulations or laws to be what rule. That way, people can’t get mad or something and just up and change their mind! We don’t want emotions to rule—they change too often.”

“And it is not just for us,” Allen spoke up. “The kids we hire to build the huts, and the people that put together the materials we will be using—everyone needs to know that agreements made this year will be honored next year, and the after that, and so on.”

Kovrich was eager to get his voice heard. “I sure wouldn’t like it if David and I prepared all the window plastic for someone’s hut and then they could go back on their word and get away with it! I agree, rule of law is important or anyone could get hurt.”

“Everyone deserves to be treated fairly,” David said. Then he looked sharply at Sabetha, but no one seemed to notice his glance. “If we have rule of law, then greedy people can’t change things just because it would be good for them. Law rules! They’ll have to go by the law!”

Sabetha and Marcella clearly wanted rule of law so the money they were going to invest would pay off in future profits. They didn’t want conditions or rules to change in middle of the process!

“It only makes sense,” Marcella said. “I make deals today, and I want the law to stand behind me tomorrow ... you know, to protect me. You better believe I am for rule of law—I don’t want anyone turning the tables on me after I have already taken the risk.”

“I have another reason for wanting rule of law,” Sabetha said. “Where there is real rule of law there is very little bribery. I know from being around my parent’s business—bribery makes everything cost more. It breeds dishonesty. I don’t like it! It has no place in efficient business.”

They took a vote. It was unanimous. They would be a society ruled by laws, not by whimsy. Their business would be conducted under the rule of law.

“So, it looks like we have an agreement” said Andre. “We have made the decision to run our little economy by rule of law. That’s good. I think it will make us more efficient and prosperous!”

Amid nods and smiles the group broke up for the evening. Each felt good. Here in their little valley, probably lost to the outside world for years and years and maybe forever, they had a way to move forward. Rule of law would not only keep economic conditions more predictable as they developed businesses in their new life in this valley, but people would be treated fairly. No one could bend the law just to satisfy his or her greed!

There was a feeling of, “we are going to’ make it! We will pull together, treat each other fairly, and start businesses and take on jobs that meet our needs for everyday living. YES, we can do this!”

Principle 7: Stability in economic conditions allows owners, workers & investors to predict likely future profits.



In the days of sailing ships, merchants, who thought economic conditions would remain stable, built ships like this one. That is why they took the risk and put their money into building it. With economic stability, they made profits. As long as economic conditions remained stable they could sell trade goods in countries all over the world.

In modern times, a worker takes a risk and buys a newer pickup with his wage increase. An investor decides to take a risk and put his savings into a start-up business. People take risks when they can predict they will profit from them. When economic conditions are stable it is possible to predict future profits. When economic conditions become unstable the predictions no longer hold true! When profits are predictable workers, owners and investors will all take risks in order to earn profits. This is true for workers and investors too, even though owners are used in the example below.

An entrepreneur wants to build a factory so he buys land. As the owner, he has to pay to install underground sewer and water utilities, pave the driveways and roads. He has to spend even more money to provide electric and phone service to his land. After that is done, he can learn all the building regulations and hire professional builders to construct his factory. He consults with lawyers and accountants to make sure he follows the law in hiring workers and keeping proper business records. The point is he has spent a lot of money based upon his predictions for earning a profit.

If conditions become unstable his predictions are no longer good. What if workers won't come, or the product he was going to make can now be imported more cheaply, or the army demands bribes for so called "protection" or the business tax rate doubles—his predicted profits are lost! For his prediction of making a profit to come true, economic conditions must remain stable.

Story

Andre and Allen were more relaxed after they had met with the group. Rule of law would prevail and they were glad. It would be their best friend since they were going to run a business, make promises to others, and have people owe them money. They would be backed up by law.

"But I don't know" Allen said to Andre. "We have rule of law so we can't be cheated, but what if by some miracle we get rescued—the demand for huts might just go out the window!"

“So now that you are big shot businessman, you want us to stay lost out here forever!” Andre was grinning as he spoke, but he still made his point.

“No, you know I don’t really mean it like that,” Allen said. “But we don’t need anything upsetting the apple cart. Right now, we have customers.”

“Yes, we do” Andre said, “but your point is, that could change. We could be in big trouble. What good is it to have rule of law to make our contracts enforceable, if we have no contracts! We need a steady stream of customers signing contracts—not just a big rush, then nothing!”

“That’s what has been worrying me,” Allen said. “When I can see profits are likely I am willing to take a risk. But we can’t have things changing all the time—it’s impossible to predict how things will go. And most important, we won’t be able to predict profits.”

They decided to call the group back together and talk about how to keep conditions stable—so predictions could be made.

This time Sabetha was quiet and let someone else lead. She already understood that for her to get rich things had to remain stable. If conditions remained stable, plans could be made and carried out and the desired results would come. She could predict becoming rich—that is, if nothing major changed. She remained quiet so as not to make it any more obvious than it already was that she wanted to become wealthy.

After some discussion, David sarcastically said, “So, how do we control the weather? Got any ideas for that?”

No one had any ideas for controlling the weather.

“Better allow for things like that”, he said. “Too much bad weather and no huts will be built for weeks, maybe even months.”

They knew he was right. The weather could change any time it wanted—they could not predict the weather! Their group was focusing primarily on the hut building business and businesses related to that. If the hut building business failed, their dreams would dissolve.

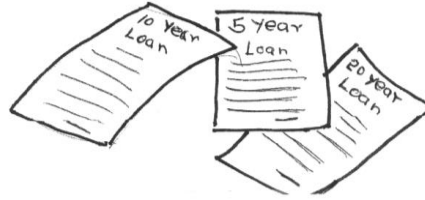
Finally Kovrich summed it up, “We need stable conditions to keep business flowing and be profitable. We can figure a way to control the demand for huts. We can have the kids draw straws to see who gets to buy this month, another drawing for next month and so on. The demand for huts will keep materials needed, huts needed and workers needed fairly stable.”

Marcella added, “And we just have to live with the unpredictability of the weather. That could be really hard on the business.”

And then, as an afterthought, she added, “but I think enough of the conditions affecting the business are stable and therefore we can predict profits. I say, let’s move forward and expect to make profits!”

Job Creation

Principle 8: When entrepreneurs start businesses they often need to borrow money (capital) and pay it back in small amounts over time.



Most people don't have enough money (capital) to pay all the costs of starting a new business. In many businesses, the owners (we call them "entrepreneurs") will need a building, some land, and cars or trucks, office furniture, machines, and the professional services of accountants and attorneys. In some countries, they may also have to pay bribes. All these things add up to a lot of money! They don't have the money--what can they do?!

The entrepreneurs can go to the bank and apply for a loan. They might get a 5 year, 10 year or even a 20 year loan. The bank asks many questions. Is there a plan for how the business is expected to operate for the next 3 to 5 years? Does it look like the business will succeed? Have all the costs been thought about? Will there be a reasonable profit? Will the borrowers be responsible and pay the money back to the bank? Do they have a personal history of being responsible? If all answers are "yes" the bank will lend the money, and charge interest so the bank can make a profit.

Let's say the entrepreneurs borrowed \$75,000 at 9% annual interest, to be paid back over a period of 10 years. This money gets the business started. But they have to take some of their earnings from the business each month to pay on the bank loan. They have to work hard to make the business succeed so they can pay the workers, buy supplies and raw material, pay the bank and make a profit themselves. They never could have started the business without a loan from the bank. With profit from the business they can pay back the bank each month and still have a profit for themselves.

Story

Allen and Andre had some expenses coming up, but they had no money! There were no banks in their little valley of the plane wreck.

"What are we going to do?" asked Allen in a worried tone. He and Andre both knew they had to be ready to pay salaries, pay for the window plastic, have money to treat customers to gifts, and several other things. If they wanted to be the lead business people, they had to stay ahead of the game. They had to think of business ideas and put them into practice before anyone else did. They wanted to stay ahead. That takes money.

Andre spoke. “We both know who has the money ... Sabetha and Marcella! We might just as well change their names to ‘Gold Bars’ and ‘Money Bags’, because they are the closest thing we have in our little valley to a bank.”

Allen laughed, and his laughter brought a grin to his partner’s face. “You are right Andre. We need to go to Miss Gold Bars and Miss Money Bags just like our parents went to the bank back home, hat in hand, when they needed money to start a new venture.”

“Well,” said Andre, “I think it might help if we use their right names—but I agree. We either wait until money falls out to the sky for free, or go for a loan to get our new business started.”

“And you know they will have a lot of questions,” Allen chimed in, “they are going to want to know that we can really pull this thing off before they put their money at risk!”

“Can’t say that I blame them,” Andre said. “And besides, it won’t hurt us to have a plan—it is good to know where we are headed—especially using other people’s money that we have to pay back.”

“Right again,” said Allen, “We better be careful. We have to pay all the expenses for each month, and then we have to make a payment back to the BBB! And after all that, I hope we have some profit left for ourselves—that is the point of going into business you know.”

“What is it with this BBB stuff?” asked Andre. “Are you going crazy on me?”

“No, I’m not going crazy,” retorted Allen. “BBB stands for ‘Bars and Bags Bank!’” They had a good laugh, and then headed off to find the girls with the money.

Principle 9: Jobs are created when businesses grow or new businesses are created.



Most people get their money from working a job. What creates jobs? Jobs are created when an owner expands his business. For example, an owner has a business that makes tables and chairs. He hires three workers and a half time salesperson. Then he decides he also wants to make beds. But his three workers are busy making tables and chairs. He has to hire two more people to make the beds. He hires the salesperson fulltime since they have more items to sell. In this example, two and a half new jobs were created because the owner decided to grow his business.

Look at the drawing. The entrepreneur started by making footballs only. He had success and decided to grow his business. He added skate boards to his inventory. He made more money and hired more workers. Finally he added a line of playground equipment, selling things like sliding boards. Each time he grew his business he created new jobs!

Starting a new business creates jobs too. For example, an entrepreneur starts a clothes factory. He has some money and he gets a bank loan too. He rents a neighbor's empty building and hires workers to paint it, put in new windows and updates the electrical system. He buys sewing machines and other tools for making clothes. He starts small. He can expand later if the business is successful. He hires a half time person to maintain the machines, the building and to drive the delivery truck. He hires a salesperson who will also keep daily records. He hires four people to work the machines that will turn cloth into clothes. He created five and one half new jobs at this job site.

But it doesn't stop there. The repairmen had a temporary job doing the painting, electrical work and windows. The entrepreneur helped the sewing machine factory because he bought their product. And the bank had additional work for its people who compile paper work for loans. Growing businesses and creating new businesses creates jobs.

Story

It was Marcella who acted like a cautious banker. Questions, questions, questions! She was determined to make sure Andre and Allen could operate the business successfully. She wanted payments made on time every month until the loan the boys were asking for was paid in full! Finally she was satisfied and stopped asking questions. Andre and Allen felt like they had been asked every question possible. They were tired from answering all her hard questions!

“Don’t get mad at Marcella,” Sabetha said. She is just doing due diligence so our money will be safe in your hands. We want you to be successful—because you know, if you succeed, we succeed too!”

Even though it wasn’t exactly true, Andre tried to give the impression that Marcella’s questions had been no surprise to him.

“Allen and I had already gone over all this. We had figured exactly how we wanted the first year of the business to look.”

Not to be out done, Allen threw in, “I made a complete list of all the items we will need and how much they will cost. Then I allowed for wages to the workers. I even figured in the amount we would pay back to you each month ... and calculated our profits too.”

Smiling now, Andre smugly said, “I guess that about handles your questions.”

But Marcella still had one more question!

“Have you thought about how starting your new business will help all the kids here?” She paused. “It really is a service that you, Sabetha and I are doing. Starting new businesses creates jobs!”

“I don’t get it,” Allen confessed. “How will our making money building huts help the others?”

Sabetha chimed in. “Well, to tell the truth, I just want to make money—I haven’t really thought that much about the other kids.”

“Look, the kids need jobs.” Allen and Sabetha still had blank looks on their faces, so Marcella tried to explain some more.

“They have got to have something to do to keep from going crazy with boredom. But more important, they need to earn money, if not with actual money we had with us when we crashed, then something else that acts just like money.”

Principle 10: Ready access to capital is necessary for economic growth.



As we saw with the clothes factory, when one person has business success, that success will help others to have success. Success spreads! If a woman raises extra vegetables to sell, she helps the person in the market who rents her a selling space. She helps the nursery where she buys young plants and the company from which she buys seeds. After selling the vegetables, she spends the money and even more people benefit. She buys clothes for the family and the clothes maker benefits. She buys a radio and the store where she bought it benefits. She might even buy a small irrigation system (the one who sold it to her will benefit) and increase her yield. Then she has more vegetables to sell and more money to spend. And yes, even more people will benefit!

Because of entrepreneurs like her, the factory, the store and the nursery can continue to pay their employees. Those employees will spend their money at other stores and factories. This spending, in turn, helps other owners to keep or hire additional employees.

None of this happens if the woman can't borrow the money to buy seeds and young plants! The bank in the drawing has a smiley face. Can you guess what that means? It means this bank is friendly to entrepreneurs who need credit to get their business going. That is where it all starts! Many people have good ideas for making money but usually don't have enough money to get started. They need a loan in order to take that first step.

When people can readily borrow start up money, new business will start and jobs will be created. Not all will succeed, but some will. If they don't have access to capital, their money making ideas will never be tried. Then everyone loses. When talented and hard working people have ready access to capital (money) the economy will grow!

Story

Andre spoke up. "I guess we could, well, sort of ... you know, print up more money to go with what we had when we crashed. We would need it to be official—we could elect a committee to oversee the printing and control the supply of new money. It would represent the value we have added to this little valley since we got here. Then we wouldn't have to lug around things to trade with—we could just use money to buy things with."

"Yes," said Marcella, "money systems are far more efficient than barter systems—everyone knows that. But can I get back to the point I was making?"

Andre was out done once again by Marcella. He hung his head and fell silent.

“As I was saying,” Marcella continued, “Some kids who don’t get your jobs will see a chance to get some of the money, new or old, for themselves. They will start making things to sell—sandwiches, mend pants and shirts for work clothes. They can do errands for those you give jobs too, and so on. They will get paid for all that—paid from the money you gave the workers for salary.”

“I get it,” said Sabetha. “It just goes on and on. Workers with jobs will get paid. Other kids will start little businesses so the workers will spend some of their job money at the new little businesses. Then the successful ones will need to hire more workers to fill the new jobs they add.”

Marcella, who seemed like the financial wizard of the group, summed it up. “We will just keep on starting new businesses and expanding the existing ones until there no more workers available. That way, everyone will have a job.”

Sabetha eyes lit up. “Wow!” she exclaimed. “Look at all the growing our little valley economy will do!”

And Marcella waxed wisely yet one more time that day. “And none of it would be possible if the boys couldn’t borrow money. Economies don’t grow unless entrepreneurs have ready access to capital—no loans, no growth.”

Andre knew she was right. But he didn’t have to like it—he wished just once he could look smarter than Marcella!

Competition, Efficiency, Supply & Demand,

Principle 11: Competition forces businesses to be efficient so they can produce quality goods and services for a low price.



Competition between companies is important. Why? Competition pushes each company to offer its goods or service at the highest quality and at the lowest price. In the drawing we see a wormy apple and a good apple. We see a good guitar and one with broken strings. Which apple would you buy? Which guitar would you buy? You want a low price but you expect quality as well!

Company “A” builds a bicycle that will last for two years and offers it for sale at \$89.00. Company “B” builds a bicycle that will last for two years and sells it for \$79.00. Company “B” will sell the most bicycles—they have the lowest price. If company “A” wants to stay in business they will need to find a way to build their bicycle for less so they can compete with the company “B” who offers lower prices.

Or if both companies sell their bicycle for the exact same price, but company “A” makes a better one, people will want to buy the better one. People want to buy a product with a good reputation, but they still want a good price. Companies compete against each other to see who can make the best product and sell it at the lowest price and still make at least a small profit. Competition is healthy for society. It keeps quality high and prices low.

A company needs to operate efficiently or it can’t compete. Each step in getting a bicycle to market must be efficient: Land and buildings are bought or rented. The owner has to bargain to get a good price. If not, he has a higher cost than his competitors long before he builds his first bicycle! Workers have to be hired. If the owner pays too much, he will have to charge a little more for his bicycle—and his price won’t be competitive. If he pays too little he won’t get any workers. It is the same with materials. To lower costs, he must pay low prices. But not so low that he gets poor quality.

This constant balancing between low price and high quality makes for efficiency. An efficient company will do well in the market place—it offers a quality product at competitive price.

Story

Kovrich was hurrying to where Allen and Andre were getting ready for tomorrow.

“Hey guys!” he called out. “I heard you start your new crew tomorrow. Will you hire me?” As he got closer, so no one would hear, he added, “I’ll work cheap! I know if you

guys expect to make any profit at all, you can't be paying big money like the other kids want."

Andre and Allen looked at Kovrich with new interest. Here was a worker who understood their problems.

"So, what have you got in mind?" Allen asked. He and Andre didn't want to cheat anyone. They wanted to be fair. But some of kids were asking for wages that would bankrupt the company almost before it got started!

"Well," Kovrich began. "I've got a few buddies—and we don't figure we need real big wages. If you can hire all five of us, you really won't need the kids asking for the big money. It works out better for you, and my buddies and I get to be together in our own little group."

Andre spoke. "Your offer is very tempting—we need efficiency so we can hold our costs down and that lets us hold our prices down. If can build a good hut as cheap or cheaper than anyone else figures they could, we'll stay in business."

"All right then!" Kovrich said excitedly. "We've got a deal—right?"

"Yes, we've got a deal" Allen said. Then both he and Andre shook Kovrich's hand. "You will be here first thing in the morning with your four buddies. We will be looking for you. Welcome aboard!"

As Allen finished he saw Andre was already speaking to a group of kids. It was the ones wanting big money for their labor. He was telling them he did not have jobs for them after all.

After Andre left them they still didn't seem to understand. They acted like they thought workers were in short supply—not many of them. But just the opposite was true. There were too many workers needing work for them to hold out for big money. Demand for laborers was low because there were so many of them—there was an oversupply of workers.

Andre did not give those workers jobs because he could not afford to hire them, pay for materials, pay back the bank and still make a profit. Someday they would learn: deals have to work for everyone—no single participant in the deal can come out ahead of the others.

Principle 12: Supply and demand in the market place determines what goods/services are offered and what their price will be.



People know what they want to buy and how much they are willing to pay for it. In a free market the government has little influence on what is sold and how much it sells for. Instead, the people say, by how much money they spend and what they spend their money for.

The football in the drawing is valuable to some people. Is it valuable to everyone? If a company makes one hundred computers and only one person wants to buy a computer, will the company keep making computers? A twelve year old boy really wants a skateboard. A store near a junior high school might do well selling skateboards? Would the gift shop in a senior citizens home have much demand for skate boards?

For example, if people want a special soap, some company will make that special soap and sell it to the public. We say there is a big demand when many people want it. As long as people keep buying that soap, the company will continue to make it. If interest drops and people stop buying in large amounts, a lot of unsold soap will stack up on the store shelves! There is an oversupply because demand fell so low. We have low demand/over supply condition. If demand ever gets so low that only a very few are buying the soap the company will stop making it altogether

What the people demand, not what the government thinks, determines what is produced. Let's suppose there is a demand for the soap, but the supply is low. People can hardly find the soap—and when they do, since it is in short supply, they will pay a high price for it. This is a high demand/low supply condition. It drives the price up. Seeing a chance to make money, new companies will decide to make and supply the soap. If too many companies make the soap, there will be a large supply of soap and merchants will have to lower the price to get people to buy it now. To get rid of their stockpile of soap, companies start competing fiercely to see how fast they can get their oversupply of soap sold. The price can drop dramatically overnight!

If there is a demand, someone will make sure there is a supply. If there is no demand, no one will provide a supply. This is free market in operation.

Story

Kovrich warned his buddies. He told them they would have to work hard and try to make the owners successful.

“That way,” he explained, “as long as people need huts, and Andre and Allen can build them for sale at competitive prices, we have jobs! It’s a team thing really—everybody needs to win! When huts have a good reputation, and with our quality workmanship we can guarantee that it does, kids will want to buy. If the company can build them cheap enough and still make a profit—the business will expand. Not only will our jobs be safe, we bring on our friends too! When the company wins, we workers win too!”

“It is simple, really,” he told his buddies. “If there is a demand for something, someone will produce it and sell it. And if there is a lot of money to be made, then many people will jump into the business of producing it. If too many jump in, then too much of the product will be on the market and the price will drop..”

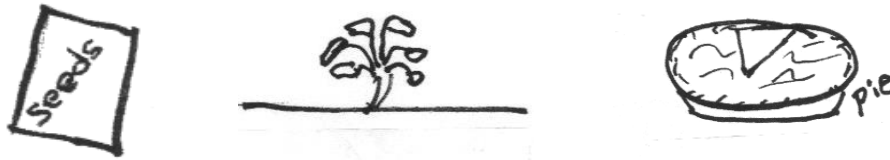
He went on. “We are not slaves, but we have to make this business work. We need to do good quality work, at a reasonable wage, so the customer gets a good deal. When we are efficient like this, no other company can touch us. Our business will dominate the market, and we will have jobs forever.”

He knew he would have to keep his people producing. And he also knew that when they had proven themselves, made the owners money and people loved their huts and felt like they got a good deal on the price, there would be a demand for huts for a long time. That meant that their jobs would secure for a long time also.

Then he would go to Andre and Allen and negotiate a wage increase. At least some of the profits Allen and Andre would be stacking up by then would have to go for rewarding the workers. Without the entrepreneurs taking a big risk, there would be no new jobs. But the opposite was also true. Without workers, working at a competitive wage, the entrepreneurs would have no new business in which to make money!

“Thank God for competition,” Sabetha told Marcella. “It keeps efficiency in the hut building business. Competition forces builders to produce goods that work well – that can count on to work. Nobody wants to buy items that don’t work.. Competition also holds prices down. That in turn is an encouragement to future sales—and that bodes well for this part of the economy for a long time to come.” She knew competition was healthy for their little economy—it gave quality goods at reasonable prices.

Principle 13: Each time value is added to a product/service its worth is increased and its price will go up.



There is a seed in a packet at the store. A farmer buys the packet of seeds—berry seeds. Each seed cost about one half penny apiece. At his farm he plants a seed. His soil nourishes the growing seed. He works the ground, making sure there are no weeds and that the seeds are watered. They grow into a whole bush of berries. The farmer buys little boxes in which to put the berries—so they will look nice at the market. He takes the berries to market and a baker buys them. He bakes a wonderful berry pie! The woman who runs the restaurant buys the pie. She puts it on display in the restaurant. It looks so good, possibly the world’s best berry pie! A customer sees the pie and suddenly feels very hungry for pie. He eats one piece of it, for which he paid \$3.75.

In the drawing you can see that a packet of seeds became a berry bush and then the bush turned into a pie! At the beginning the seeds were one half penny each and now just one piece of the pie costs \$3.75! What happened? Along the way the seed got more and more valuable. Value was added when the seed became a bush of many berries. More value was added when farmer put them in pretty boxes. No one bought them on his farm, so he took them to town where they were more valuable. Changing their location from farm to market made them more valuable.

After the baker had made them in to a pie, they were more valuable still. When the restaurant owner bought them she took them to a place (restaurant) where they would be highly valued—a restaurant full of hungry people!

The price kept increasing because the value kept increasing. Each time a person added value to the item it became worth more. They raised the price to cover their time and effort to make it more valuable.

Story

David knew that the plastic he and Kovrich had found right after the crash was not really theirs. But they decided to keep it. Maybe it would come in handy someday.

“Remember when we first decided to keep it?” asked David. “We have been taking care of it ever since—I think that first decision made it ours.”

Kovrich agreed, “If we had not kept it out of the direct sunlight it might have gotten brittle and broken up by now. Because of our efforts, it’s still useful.”

“That’s right, and we didn’t just keep it around, we did something else to make it more valuable—can you guess what?” David asked.

Kovrich seemed stumped for the moment. He did not have an answer for David.

“It’s like this,” David continued. “When we found out about Andre and Allen forming a company to sell huts, we put our heads together and started thinking about windows. We thought about what size a window should be, should they all be the same size and how many are needed in a hut and so on—we did that, and we became window experts.”

“Golly, you’re right!” Kovrich exclaimed. “And you know what else—we cut them into proper sizes to fit the hut windows. And we keep them sorted by size, and we keep them safe.”

“So it is pretty clear to me, after all the work we have put into this—both mental work and physical work—we have made the plastic much more valuable than it was when we found it.” That is what David actually thought, and he had just voiced it out loud to Kovrich. It made him feel good to have the truth openly stated.

Kovrich summed it up nicely: “We made it more valuable. We took it from being merely a roll of plastic to being proper windows sorted by size and safely stored.. It has gotten more valuable. We will be financially rewarded for adding all that value. We will get a good price for our windows.”

In the meantime Allen and Andre were having a similar experience. They had gathered a lot of wood from the trees and the plane wreck. They gathered other useful items from the wreckage they might be able to use later.

Allen was feeling playful. Pretending to be serious, he posed a question to Andre.

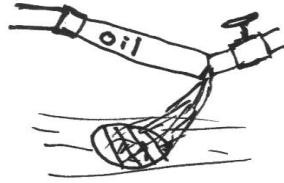
“Lying here half buried in the mud, what I see lying at my feet is just a piece of junk. It is worthless. Do you think it will stay worthless?” He stooped down and picked it up. He held the hinge high in the air, like it was a great prize. He was grinning!

“Hmmm,” Andre mused. “Now let’s see, how can we make a piece of junk a thing of value?” He was grinning too. They both knew where this was heading.

“You mean increase the value so we can increase the price?” teased Allen, in a pretend question, as his grin grew bigger.

“Well, maybe build a door. For example, we could build a door for a hut. Attach the hinge to the door ... and presto! We have a real door that opens and closes easily. I think we can get a good price for our hinge once it is part of a smoothly operating door!”

Principle 14: Wars are costly and drain a society of its valuable human and material resources.



You may have seen pictures of motherless babies crying, wandering the streets in emotional shock. Their mothers were killed by a bomb blast. They had the misfortune of being born into a country at war! Even when necessary, war is a costly drain on society.

In the drawing we see oil, a material resource, going down the drain. It is being wasted! Valuable emotional resources can be wasted too. War is a drain on both material and emotional resources.

It is hard to turn emotional agony into a number. But is not hard to imagine the emotional trauma caused by the many wars/armed conflicts raging on our planet right now. Think of the children who lose their mothers or fathers to war. Think of the wives and husbands living in grief. And for those not killed, there are still the pains of physical wounds, the emotional pains of families being torn apart.

Sometimes war is unavoidable, but the pain it inflicts leaves emotional scars for decades to come. Unfortunately, post traumatic stress disorder is now a mental condition common to our world. How do we measure the talent lost, the joys never experienced, and the energy of anger and revenge that consumes some survivors? Society loses out when these folks in pain are unable to deliver their finest creative skills and talents to benefit society. War drained away their energy.

There are also financial costs. The cost to rebuild a bombed out airport is huge. When soldiers are fighting they are not producing food, clothes or houses that people need to live. Money needed for schools and roads must be diverted to make tanks and rifles.

When the homeland is attacked it must militarily defend itself. But defending is costly and will drain off some of society's valuable human and material resources.

Story

Trouble had developed in their little valley community. It started so quickly it took everyone by surprise. One day at the noon meal, when all were gathered around, it happened!

A girl stood up, started screaming bad names at Andre, and charged at him.. She knocked him into the fire pit. He was badly burned.

Quicker than anyone could have imagined, hostilities broke out—their once peaceful valley was at war! Two opposing sides quickly developed! Each side thought the other was very wrong about something—it didn't seem to matter what! Once friends, they quickly became enemies.

Marcella was glad she and Sabetha were on the same side.

“Sabetha, what are we going to do?” she wailed as she paced back and forth. “We needed those kids to buy the huts we invested in—and now they are our enemies!”

“I'm not really worried about a drop in sales—I'm worried about Andre and Allen's tools and materials being burned or destroyed in some way! And Andre is hurt. Will he even be able to run the company?”

She really was worried. She remembered times back in the real world, before the crash, how countries would deliberately try to ruin each other. They did not just try and kill and injure soldiers, they tried to destroy the enemy's economy too.

“We have got to stop this thing!” She exclaimed

“Well” said Marcella, “I agree, but how? We have kids who used to be friends trying to hurt each other now. Did you see that group of boys kicking the ones they pushed to the ground?”

Much to Sabetha's dismay, they had to scurry away and hide because a gang with flaming torches was coming toward where the tools and materials were stored—probably to burn them.

Someone shouted, “Let's just see how important Andre and Allen feel now after we burn them out—we'll show them! They are not the only ones that can make things happen!”

“Marcella, this is terrible! Valuable resources are just being drained away!” Sabetha was so sad.

Principle 15: Corruption in business and politics wastes money and produces unqualified leaders.



Corruption and bribes go hand in hand! Because of corrupt leaders in business, people are forced to pay more than the actual costs involved in making an item—we are forced to put bribe money into someone’s pocket! To get the goods ordered from overseas, you have to pay a bribe to the man at the port before he will let you have them. Then the policeman stops you on a false charge, and you have to pay him a bribe before he will let you pass.

The drawing shows how it is! Corruption is just money down the drain! The bribes you paid have raised your costs and you will have to pass them on to your buyers. When you have your assembled product ready to sell, the government requires you to have a safety inspection. When the inspector comes he demands an extra fee for his pocket (a bribe) before he will give you the official stamp of approval. More costs to pass on.

Some people covet jobs that will allow them to collect the illegal bribes. It is unfair. It adds cost to everything. And the poor simply can’t afford the bribes. In a bribe infested economy, lying and secrecy become common place. Business is done in secret, not in the open. Favoritism abounds—secret deals rule the day. Often people of real merit, who can’t or won’t pay bribes, don’t rise to the top and society loses their leadership ability.

It is the same in politics. The person who will pay the biggest bribe, or who is a good friend of someone important, gets the big salary government job. This means secret bribe money, not talent and dedication, will be running the country. When greed is the motivation, corruption will rule. Society will be run poorly and peoples’ needs will be ignored. Corruption in business and politics makes society sick

Story

By the next morning, with the tools and materials pile still smoldering, some of the anger had died down. Kovrich and David agreed to help Marcella and Sabetha see if they could help the warring sides come to peace.

The girls simply went and stood in the center of the clearing. It was where the valley was used to meeting.

“Please come hear us.” They called out a few time. Then they started singing. They kept on singing. Slowly at first, then more rapidly, most of the warring kids gathered around them. Some joined in the singing, others were quiet.

After a while the singing was finished.

In a firm and clear voice, Sabetha said, “This war has to stop!”

Then Kovrich, with David at his side, came forward and said, “Take a look around! This war has cost us big time! Kids are hurt who can’t work for several days now. Materials carefully prepared have been destroyed. People who used to be friends are mad at each other—and emotional wounds can take a long time to heal.”

Allen asked in a loud voice, “How many think this war was worth what it cost us—raise your hand?”

There was only silence ... they all seemed to get the point: war drains away valuable human and material resources. Not a hand was raised.

Allen continued, “If we get attacked by outsiders, okay, then we go to war. We will defend our valley and our homes. But this war was silly! We could have worked out our differences. Unless we are defending our lives, lands and homes, we can avoid the costly drain of war. Peace and stability is much better for our economy, and way of life.”

Then Marcella took over. “Another big drain is corruption. I bet you all remember the corrupt politicians back home.”

“And the corrupt businessmen too!” someone shouted out.

David said. “We don’t want that here. I have seen it starting to happen right here in our valley. Stop it! Stop with the bribes—they just run up the cost on everything. If Allen and Andre are forced to pay bribes, they will just have to pass that cost on to you. Your huts will cost more because of the bribes.”

Sabetha chimed in. “Corruption is just not fair. When we play by the rules, we all have an equal chance, whether it is about a good price for a hut or about getting a leadership position in our valley government. We will have lousy government if we let thugs run things.”

“She is right,” Kovrich said. “Being a mean thug who operates by bribe is NOT a qualification for being a good leader—in business or in politics! Corruption makes society sick.”

Calmness settled over the kids. The recent experience had taught them a valuable lesson. They got it! Operating fairly in open and honest ways would lead to a better quality life for everyone.

“It’s been rough, all that we’ve gone through,” Sabetha said to Andre. “But with this war over, I hope we can start fresh. We have a chance now to really do things right. I think this could work out good for all of us.”

“I hope you are right,” Andre said. “And who knows, by some miracle, one of these days we may be found and go back to live in our home town.”