

POLICY NOTE



Why I hate and love the free market

Remarks by Jim Boulanger, President, Patriot Fire Protection, Inc.
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Young Professionals Event

On November 14, 2018 entrepreneur and business leader Jim Boulanger, president of the Patriot Fire Protection company based in Fife, Pierce County, addressed WPC's Young Professionals group at the Dystopian Brewing Company pub in Tacoma. He spoke eloquently about the headaches, challenges and benefits of engaging daily in the competitive free market. Jim wanted to remind everyone his presentation was meant to provide both education and humor to the Young Professional audience. His remarks follow.

Introduction

I am James Boulanger, president of Patriot Fire Protection. I was asked to speak tonight on the subject of "free markets." I am not sure exactly why I was asked, possibly because I have been a member of Washington Policy Center for several years and have always been a strong supporter of its work...or maybe it's just because I live locally here in Tacoma.

Well, here we go! I am a WSU Cougar and we always tailgate before big games, and according to my watch it is still before the big game, so let's begin. Of course, when they asked me to speak and told me it would be in a brew pub, not only am I here...I came early.

I graduated from Washington State University in Building Theory, with a Bachelor of Science from the Department of Architecture, in 1978; please don't do the math on my age. I have been in the fire sprinkler contracting business my entire career, starting three days after graduation, so I like to think I have learned a few things over the years.

What is a free market?

Okay, so what exactly is a free market? Well, someone suggested to me that the company of the wealthiest man in the world, Mr. Jeff Bezos, just bought Whole Foods and that in our recent socialist craze maybe he could just turn it into a "Free Market."

As a business, Whole Foods obviously won't do that. More seriously then, one definition is:

"A free market refers to an economy where the government imposes few or no restrictions and regulations on buyers and sellers. In a free

market, participants determine what products are produced, how, when and where they are made, to whom they are offered, and at what price – all based on supply and demand.”

It can also be said that a free market represents a benchmark that does not actually exist. Modern societies can only approach the ideal of efficient resource allocation along a spectrum ranging from low to high levels of regulation.

Hating the free market

As a business owner and operating manager, I actually hate working in free markets, because I am in one.

I would much prefer that my company set the price, whatever we chose it to be, and our customers can then stand in line for the opportunity to buy from us, because that is the way we would prefer it. Would that not be a perfect world (at least for me)?

I really can get frustrated when our good customers sometimes go out and actually pursue additional bids from competitors in the market place for the services we provide. Imagine that?

I become rather irritated when some customers conduct online auctions for our services just to lower our prices and drive our margins down. How terrible is that?

I am *really* cranky when a competitor offers one of my loyal employees a supposed better package or a title promotion to leave us and join them. It's infuriating; it's not fair.

I am totally miffed when our best construction workers are offered better pay or a new pickup truck to leave us and work for a competitor. In the construction industry they call that “A buck and a truck.” I would like that issue outlawed.

We spend lots of money traveling to job fairs at our universities to compete in hiring young educated talent. What's up with that? Why can't employees just be assigned to us out of school, we hand them a uniform, and tell them their pay and when they are to show up? Wouldn't that be much more efficient?

To wrap it up, I hate working and selling and competing in a free market. It makes me lose sleep at night. And it's exhausting!

Loving the free market

But I have to say, I really love living and being a consumer in a country where we still have relatively free markets. As a citizen of this incredible country, I love free markets, because they work. I may not enjoy competing in them every day, putting up with all the difficulties of risk, success and failure, but I totally get it, *because it works*.

Is there anyone in this room who has not flown on a fast, affordable commercial airliner? You can thank deregulation in 1978 for that. Most people who do revisionist history claim President Reagan started deregulation, but it was actually

President Jimmy Carter who signed the law. It was the first time in U.S. history that an entire industry was actually deregulated. It was done with bi-partisan support in Congress. Imagine that.

The 1978 federal Airline Deregulation Act removed government control over fares, routes and market entry for new airlines.

Deregulation benefits consumers

Wow, did the old established, regulated industry hate that one! Most of those unfortunate companies with business models supported by controlled heavy regulations are now gone. Anyone remember Pan Am, TWA, or Eastern Airlines? Over one hundred carriers have disappeared since deregulation, they and their unions just couldn't adjust to market competition.

Free markets work, but they can, in the short term, hurt a lot of participants especially if you are working for a horse-and-buggy manufacture, an overly regulated airline industry, or today maybe even a taxi company. If you own stock in a dinosaur business, it is not much fun either.

However, in 1980, 160 million passengers flew domestically in the U.S. Today, despite the loss of hundreds of airline carriers, we now see 900 million people flying annually in the country, and that number is growing rapidly.

The airline unions were heavily against deregulation. You can understand why. The old guard yelled about weakened safety standards and less service. That didn't happen. They even suggested that *someday* you might even see a separate charge for your luggage. The gall of it all!

Today, there are about five times more pilots in the air, and the deregulated industry exploded in size with you, the consumer, being the big winner. There were losers, but our country overall was a winner.

I love free and open markets because they work. Today you can pick up this phone and in seconds I can buy two airline tickets to just about any city in the world.

I can use a credit card or a debit card or who knows what, be charged a very reasonable price, and even pick what seats I want to sit in. How about 3D and 3E?

There is also an extremely good chance the flight will be on time, within minutes. That's pretty unreal. I can even order a special lunch today for a trip I'm taking nine months from now. This level of accuracy, speed, low-price and service would never would have happened in an overly-regulated industry.

I can get a ride to and from the airport with Uber or Lyft! Talk about a free market attack on government-regulated taxies and the pricey, restricted permits they represent. This fight for more choices, faster service and better prices is going on daily all over the country.

I can call home on this phone from just about anywhere in the country and not even get a long-distance charge. My Apple and Google devices work incredibly well, and it takes all but a second to power up.

Competition creates new applications and services

The smart-device free market is flooded with competition, as we see constant new applications available to download or purchase. There is competition to see which one can take better pictures, the best Face Time, directions in your car while in bad traffic, the weather outside, bar code reading, a compass or even an altimeter.

Free markets work so well, it is beyond amazing! Can you say GPS? I can track my aging mother when she leaves her home and drives her car somewhere, to make sure she is safe. They used to call it big brother; I call it her only son.

All the while, the new tech companies that created all of this incredible technology pay the best salaries when hiring new employees. They search for the best candidates, hire them, and then struggle with retention; that's the American way. My computer-engineer nephew just started at Google. He gets free breakfast lunch and dinner, tire repair for his bike, and probably an onsite veterinarian for pets, who knows?

Those who fear the free market

The problem today as I see it, is that people in that chunk of our economy (government) which is still growing steadily as a total percentage, do not want to be part of, nor fully understand the free market side. In fact, they fear it! The fear of the free market, whether in education, or healthcare, or even in taxi service, holds us all back.

The unsubstantiated fear of free markets has some government politicians running to the left, promising to fix those “meanies” in the open market. The politicians promise everyone pensions or free healthcare and demand cost of living adjustments just for showing up.

Some progressives have talked of a government right to a job. At the same time, they are always demanding higher and higher minimum wages for entry level employees because they believe free markets are not working and they need to intervene. They are wrong!

Today certain politicians and bureaucrats work tirelessly to introduce new regulation and excessive control over free markets, as they try to bring everyone towards rigid and total employment security; the last thing our free markets need.

Driving out incentive and reward

The left unwittingly drives incentive, risk-taking and reward out of the marketplace. Firing an ineffective civil service employee is nearly impossible. Today socialism is considered hip! Senator Bernie Sanders made a national career with government promising you everything. Remember the word is promise, all they have to do is promise, they never actually provide. It's not sustainable.

As the great British Prime Minister Margret Thatcher said, “The trouble with socialism is that eventually you run out of other people's money.”

The free market has given us the best standard of living and wealth creation in the history of the world. Yet we constantly want to leave it for security and promises by government. Don't buy into it!

Starting a family business

My Father was the first member of his extended family to go to college. He became an engineer, and after graduating from Seattle University, he then became an entrepreneur with a partner, building and then eventually selling their company by the time he was 52.

My sisters and I started our company in 1990, and we just celebrated our 28th year in business. It was never easy and it still is not today. The motivation that always keeps us going is *not* how much money you can make. We did not enter business looking for power or wealth or status, as so many non-free market people just assume.

We, like so many others who have gone into the free market, did it so that we could work for ourselves, make our own decisions, possibly slow down our corporate travel and work schedule, so we could spend more time with family. Maybe half of that worked out....

My number one motivation

My number one motivation then and now that keeps me going every day is still the same:

“Fear of failure; we want to win, we refuse to lose.”

Today, at our company of 250-plus employees, we design, fabricate and install and inspect fire sprinkler systems, primarily in Washington and Oregon, out of our four locations. We have been very fortunate to have succeeded. Only 38 percent of new businesses make it four years, let alone 28. We are blessed and we know it.

The free and open market allowed us to start a company, employ hundreds of people, and along the way pay our fair share of taxes. In our 28-year history, we have protected over 300 million square feet of Northwest buildings from destruction by fire. Every day, we are reminded that we protect lives and property. That is what we do, and we think we do it pretty well.

Once you enter our market and decide to be a fire sprinkler contractor, you will find plenty of other companies competing for our customers. They do it with service, price, technology, performance, relationships, past performance ... and that is just one competitor.

But I will say, as much as I detest competing in a free market, competition has definitely made us a better contractor. The consumer is the ultimate winner, and we know it!

Show me a football team that has really improved over a season by playing a simple, easy schedule. Try to improve your ping pong game by playing my five-year-old grandson. Try building a better business with no competition. It cannot



Jim Boulanger started his professional career in the late 1970s working in the field

during the summers while attending Washington State University. Graduating in 1978 with a science degree in Building Theory, he began his career as a sprinkler designer in a family business, Sentry Automatic Sprinkler in Tacoma, Washington. His early career spanned positions from sprinkler designer, to estimator, to Special Hazards manager for Wormald Fire Systems, and eventually to Northwest Region Manager in 1986. In 1990, he left Wormald to create a startup company with the help of family and former managers. The new firm became Patriot Fire Protection.

Jim was founding president and still holds that title today. Patriot continues to be the industry leader in design and installation of fire sprinkler systems throughout the Pacific Northwest, protecting lives and property for hundreds of regional and national clients.

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happen. Is competition still the best thing for say a “U.S. Post Office,” or an “Amtrak”? They have to be allowed to fail or they will never improve.

Conclusion

When people in government unwittingly push in and mess up the free markets, as they did in Seattle by telling business owners how and when to schedule employee work hours, or by imposing a head tax if you are successful and hire too many people, something is wrong.

All the new mandates and regulations effect the free market. Prices eventually go up and consumers lose, but worst of all, every new rule creates roadblocks to ease of entry by new companies.

You want it to be easy for small business owners to enter the market and compete. If you need to hire a human resource manager to handle regulations *before* you hire your first engineer, then something is clearly wrong.

Free markets work, otherwise tonight you would only have one choice of beer to drink. Think about it as you look at that row of 15 taps. Only one brand of beer? I rest my case!

