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Can the Private Corporation Survive?

EVERY person who has a dollar invested in a business, stocks, bonds or a savings account is a capitalist.

The right to own, sell or buy property is desired throughout the world, but in most countries it is dominated by government. Influential forces would have it so in this country.

Capitalism, private enterprise, corporations, big businesses and small businesses are being assailed by those who may hope to pick up some of the pieces if our economic structure collapses.

If you are a capitalist — and most of us are — the attack is against you and your rights as a citizen. Whenever government takes control of railroads, energy, schools, hospitals, wages and prices you lose a portion of your rights. The more government controls, the fewer rights you have as an individual.

"The attack is on the institution of private property, on the right to make private contractual agreements, and on privately determined, fluctuating relative prices as a

mechanism of economic and social control — not merely on the facades, such as the large corporation or concentration of wealth," writes Armen A. Alchian, California economist.

Alchian wrote this in the introduction to a new publication, "Can the Corporation Survive?" by Michael C. Jensen and William H. Meckling, published by International Institute for Economic Research.

"Government is destroying the individual incentives which are the wellsprings of economic growth," the authors declare. They point out that large corporations are forced by law and by threat of law (called social responsibility) to serve as a vehicle for effecting "almost every imaginable social reform," including those pertaining to discrimination, poverty, training, safety and pollution.

"These demands generally amount to nothing less than a requirement that the corporations bestow benefits on one group of individuals at the expense of other groups," Jensen and Meckling assert.

Government can do these things because it plays two distinct roles in operation of the property rights system. It establishes rules of the game and then acts as umpire to adjudicate disputes over those rights.

The authors cite a number of examples of rights revoked without compensation to losing parties. Included are peacetime price and wage controls, affirmative action programs, environmental programs, land use planning and control, and regulation of the oil industry.

"The private corporation has been an enormously productive social invention, but it is on the way to being destroyed," the authors conclude. When controls bring an industry to the brink of collapse, government will take over, or else firms will be driven out of business because of regulatory costs and inability to raise capital.

"If our predictions are realized, it won't happen tomorrow, and it won't mean the end of humanity," Jensen and Meckling say. "It will mean only that we will be much poorer, and much less free."