

THEIR OWN WORST ENEMIES*Republished**4-11-83*

Businessmen are so often their own worst enemies, that by word and deed they make the capitalist economy unacceptable in the eyes of voters. Though brilliantly successful in their own fields businessmen often know little of economics or politics. The following self evident truths are not my words, though I wish they were.

George Stigler, the most recent winner of the Nobel Prize for Economic Science :-  
"..... it is surely businessmen who must bear the main burden of defending and extending the system of private enterprise..... But will they undertake it ?"

Professor Pilon : "When a corporate executive apologises for making profits, or offers economic rejoinders to what are fundamentally moral criticisms, he indicates his profound misunderstanding of the issues at stake. When he goes to Washington" (or Canberra) " for protection and subsidies, he undermines the very system by which he lives....."

Benjamin A Rogge : ".... the first and indispensable step for any person who wishes to be a part of the effort to save capitalism is a determination of precisely what he believes and why."

CSR is Australia's 5th largest company and Mr. Brian Kelman, its General Manager, is thus one of Australia's most influential capitalists. Mr. Kelman is also capital's representative and voice on the Economic Planning Advisory Council, EPAC, that corporatist, consensus seeking group of the more powerful vested interests of government, labour and industry, set up following the Economic Summit. Capitalism has a lot at stake in what Mr. Kelman believes.

Let us see what Mr. Kelman believes, and why. Mr. Kelman recently made a speech to the IPA general meeting in Melbourne. Although the speech refers to 1776 as "a time of blessedly little government involvement in business" and 1983 as a time of "too much government regulation", it starts by saying that governments "must play a major and increasing role in the running of our businesses and in our daily lives." Capitalism's cause and justification are given away before EPAC has started !

Why is it given away so readily ? So that business can have an influence over government - " to encourage government to provide a suitable climate and suitable ground rules" and " to earn the capacity to influence and advise governments." Mr. Kelman may as well have said "big business" since no small business could hope to influence government if only because no minister could possibly find the time to talk to the many small shows. In fact he goes on to eulogise the new big business club, the Business Council of Australia which is to present "a united business view."

This is indeed the ugly face of capitalism. Not private capital disciplined by the market - by Adam Smith's invisible hand - which compels it to satisfy the wishes of consumers and husband the factors of production; but private capital using the coercive authority of the state to escape market discipline.

The economic justification of private ownership rather than collective ownership of capital, is that only private ownership can be directed by the invisible hand of markets and that markets have an infinitely better record in satisfying people's varied wants than politicians have.

Since private ownership is the means by which the citizen gains protection from the state, it is not only, or even principally, an economic question. It is a question of morality and ethics.- As John Locke pointed out centuries ago.

When private enterprise gets into bed with government it denies its own justification

Mr. Kelman described the following quote from Adam Smith as perceptive: "...the interest of dealers ... in any particular branch of trade or manufactures is in some respects different from, and even opposite to that of the public. To widen the market and to narrow the competition, is always in the interest of dealers." He should also know that Adam Smith spent much of his life explaining how free markets direct commercial interests to serve the public interest in spite of themselves, and how they will, given half a chance, employ political force to protect themselves from the competition, which alone ensures the public interest.

The opportunity for small firms to make an ally of the government against the general interest is limited by their capacity to combine, but not so big firms, who beat a steady path through the doors of ministers' offices. The corporatist state ought to be feared by little people.

If indeed governments identify and advance the public interest better than markets, what then does Mr. Kelman have to say to those voters who would nationalise CSR ?

Having shown so little faith in the commercial market place, (free enterprise), Mr. Kelman's view of the political market is both naive and ambivalent. He equates democratic government with the wishes of the people but says business, (which is after all only one of many vested interests), should 'influence' government and refrain from trying to 'frighten' governments. One of the reasons that governments often do not reflect the wishes, even of majorities, is that governments are so easily influenced and frightened; and unlike markets, democracies are not designed to reflect the wishes of minorities. The public is best served by a tradition that keeps vested interests, particularly big vested interests, and government at arms length.

The capitalist economy is not perfect but it does have a much better record than socialist economy - there is no need to apologise for it, nor to deny its fundamentals in order not to frighten a Labor Government. To the extent that it does fail, failure can most often be traced to governments, under the influence of vested interests, legislating against the unorganised consumer or making fish of one producer and fowl of others.

" The Labor Ministry is probably the highest educated ministry we have ever had." So it is, and it is already much better educated concerning the market economy, its strengths and its weaknesses, than some businessmen are. Businessmen should co-operate with the government but also confront it with sound argument in defence of capitalism. The Ministry is smart enough to understand.

The public should also be confronted with free enterprise argument as it is confronted with collectivist argument. If it doesn't understand, it has the power to vote private capitalism out of existence.