

The Public Interest of Private Enterprise – and the Private Interest of Public Policy

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Politics is the conduct of public affairs for private advantage.

Ambrose Bierce

public (pŭb/lik), adj. 1. Of or pertaining to the people; relating to, belonging to, or affecting a nation, state, or community at large; — opposed to private. 2. Open to common or general use, enjoyment, etc.; as a public meeting. 3. Open to the knowledge or view of all; generally seen, known or heard.

private (prī/vit), adj. 1. Belonging to, or concerning, an individual; personal; one's own; not general or common; as private property or opinions. 2. Sequestered; secluded; as, to wish to be private. 3. Not public in nature; not in public life or under public control; as, private schools or citizens.

—Webster's New
Collegiate Dictionary

ONE of the unsettling incongruities of the 20th Century lies in the mislabelings, semantic inversions and twisted meanings thrust on a host of everyday words — a thrust which has garbled communications no end and trapped us in a lot of false notions and *unpublic* public policies. Orwell illustrated this Newspeak problem beautifully in 1984 and *Animal Farm*.

Take the word *liberal*, for example, whose modern meaning denotes an advocate of big government but whose root is the Latin *liber* — i.e., free. So originally a liberal was a liberator, a minimizer of government's role, or, more pre-

Dr. Peterson is a government economist presently on leave to work at a book on economic reasoning based on the theories of the late Ludwig von Mises.

cisely, an advocate of freedom. In political terms, 18th Century liberals like John Locke and David Hume sought to limit the power of government so as to maximize the freedom of the individual. John Locke, for example, held in his *Second Treatise on Civil Government* that the only function of government was the protection of property, which he broadly defined to include life and liberty.

In economic terms, early liberal economists like French physiocrats Francois Quesnay and Jean Vincent de Gournay and classical economists Adam Smith and David Ricardo called for *laissez faire* (then essentially meaning free trade but bastardized today into something bordering on economic anarchy). To enhance in particular the royal tax take and in general the wealth of nations (the phrase is of course Smith's) they wanted to cut back the over-extended and self-defeating policies of mercantilism — the very policies which touched off the Boston Tea Party and the American Revolution.

But as Webster's foregoing definitions indicate, the semantic trap is perhaps nowhere better seen in the two everyday supposed antonyms, *public* and *private*, as in public schools and private corporations. Public suggests something open, social, above-board, altruis-

tic, operated on a non-profit basis. Private, on the other hand, suggests something closed, asocial, secretive, self-interested, operated for profit (yet another word in disrepute).

Shame on You!

No wonder, then, private corporations are prodded to think of the public interest, of their Social Responsibility instead of their present self-interest. Accordingly, corporate owners and managers are reminded of their great wealth and power and are exhorted, if not admonished: Consider social indicators, engage in social accounting, be mindful of our national objectives. In other words, don't just stand there but do something constructive on poverty, education, crime, alienation, ecology, conservation, consumerism, occupational safety, job monotony, women's rights, racial discrimination, urban renewal, cultural deprivation, economic development at home and abroad. This list of sins of commission and omission and kind of when-are-you-going-to-stop-beating-your-wife indictment could be extended and certainly will be as our troubled times roll on.

Indeed, some of the exhorters and admonishers have tacked on a Social Engineering Thesis to the Social Responsibility Thesis; they hold that if we can find the tech-

nology to get to the moon with a systems approach, so with linear programming and operations research we can crack the social problems of, say poverty or urban decay or — what have you? All it takes is less private interest and more public interest; all it takes is will — in the case of Social Responsibility, corporate will.

Economist Milton Friedman is one man who has rejected this thesis of Social Responsibility, saying that businessmen should stick to their private knitting, worry about their stockholders and concentrate on making profits. The unintended upshot: Society is thereby furnished with goods, services and jobs — Smith's valid but much derided Invisible Hand. (In this vein, Friedman has also criticized public schools as educationally deficient because of their lack of competition, and has pushed for the voucher plan whereby parents can choose private or public, i.e., government, schools.)

Economist Neil Chamberlain of Columbia University does not go as far as Friedman. In his new *The Limits of Corporate Responsibility* (Basic Books), Professor Chamberlain says, yes, businessmen can take some “modest, incremental, assuaging actions” on the Social Responsibility and Social Engineering fronts — say, a corporate gift to underwrite a bal-

let at the Kennedy Center or to equip a lab at Cal Tech — that kind of thing.

Social Responsibility

Chamberlain labels his compromise position the Limited Responsibility Thesis and well reminds us of the corporate facts of life — the constraint of cost, the imperative of profitability, the injunction of competition. But assuaging actions may not be enough, muses Chamberlain as he ranges over corporate involvement in consumerism, education, ecology, Washington politics, trade unionism, local communities, foreign lands. For if responsibility for solution of mounting social problems is shunted onto other shoulders or ignored, what then?

Maybe some kind of Federal take-over would be in the offing and survival of the corporate system would no longer be in the cards. Better, then, harkening to the Committee for Economic Development's call for a public-private partnership, or as Chamberlain quotes approvingly from the 1971 CED publication *Social Responsibilities of Business Corporations*:

The converging of two trends — the business thrust into social fields, and government's increasing use of market incentives to bring even greater business involvement — is gradually

bringing these two powerful institutions into a constructive partnership for accelerating social progress. This emerging partnership is more than a contractual relationship between a buyer and seller of services. Fundamentally, it offers a new means for developing the innate capabilities of a political democracy and a private enterprise economy into a new politico-economic system capable of managing social and technological change in the interest of a better social order.

Strange Partners

Partnership – admittedly the word is sweet and what the CED and Dr. Chamberlain envision is limited in scope, but partnership between what and what? And how limited would the public-private partnership turn out to be over time? We are brought full circle to the implications of public and private, to the public interest of private enterprise and the private interest, not uncommonly, of public policy – to what I am afraid adds up to the unsocial side of Social Responsibility and Social Engineering.

Consider the private interest of much public policy. Think of Watergate, for example, and how in the name of national security or Social Responsibility some rather private interests were advanced when a number of executives of blue-chip corporations

were “requested” to contribute to the Committee for the Reelection of the President, or CREEP. (This comment is nonpartisan, for corporate executives – perhaps some of the very same contributors to CREEP – had also donated heavily to the Democratic campaign coffers in the 1964 campaign when the Democrats were the incumbent party; and, of course, quite a few corporate executives are regular Democrats and Democratic contributors.)

Or think of the ICC’s “public policy” in rejecting Southern Railway’s application for a 60 per cent cut in grain haulage rates in introducing its 90-ton “Big John” hopper cars – a cut which offended truck and barge line operators. Or think of our public-private sugar policy ever since the first Sugar Act in 1934. Here Uncle Sam plays sugar daddy to a host of relatively high-cost domestic cane and beet sugar growers and then cuts in a number of “selected” foreign sugar producers who are favored with import allotments. Washington sugar draws lobbyists like flies, especially when quota-reshuffling time rolls around. All this wheeling and dealing is, of course, at the expense of the American consumer who regularly pays pennies per pound more for sugar than what the market price would have been, and has been doing so for four

decades. The list of such public policies privately motivated and privately benefited could be extended ad nauseam.

Or think in historical and civil libertarian terms of how the Founding Fathers met the dilemma of authoritarianism, typified by George III, with the checks and balances of *limited* government. Just how limited would our Government be under the partnership concept?

Who's to Say?

Some more questions, particularly as the partnership matures: Which partner, public or private, would be the majority partner, which the minority partner? Which would be the dominant partner, which the silent partner? And what would happen to competition, economic calculation and freedom of enterprise? The questions beg the answer: Sooner or later the "partnership" would drift into some sort of planning; and overtly or covertly the government would choose and enforce its rulings, notwithstanding the preferences and efficacies of the market, i.e., the consumers.

Or think how perilously close the Chamberlain-CED's endorsement of a public-private partnership comes, or is capable of coming, to state *dirigisme*, to further erosion of our market economy, to


the real possibility of modern authoritarianism not unlike that which surfaced in Europe, Asia, Africa and Latin America in the 20th Century. In fact, isn't this what President Eisenhower was warning us of, in his reference to the "military-industrial complex" in the final hours of his Administration?

Now, on the other hand, what of the public interest of private enterprise? First, it should be noted private enterprise is private in name only. Every business must serve the public or it will be swiftly punished with losses and, unless it mends its ways, ultimately extinguished. GM and GE, Exxon and Dupont, IBM and Ford are indeed giants but they, too, like the Ma and Pa delicatessen, are under the yoke of profit and loss, of the life-and-death power of the consumer — who can be corporate as well as individual. (What happened to Ford's Edsel, RCA's and GE's computers, Lockheed's Electra, Dupont's Corfam — or to those defunct corporate giants of yesteryear like American Locomotive, American Molasses and American Woolen?)

Moreover, the ability of so-called private enterprise to serve the public far better than public enterprise in economic matters has been demonstrated over and over again. (Witness the "service" of

the U.S. Postal Service, study the doleful findings of Brookings Institution researchers on Great Society programs,¹ ask yourself why the Government continues to subsidize hospital construction and teacher education when hospital beds and school teachers are in

surplus, or check with your friends back from Eastern Europe on producer responsiveness to consumer needs there.)

So a public-private government-industry partnership anyone? I hope not. Neil Chamberlain has helpfully spelled out the limits of corporate responsibility. I only wish he had reaffirmed the Constitutional limits of government responsibility as well. 

¹ See *Setting National Priorities: The 1973 Budget* (Brookings Institution, Washington), 1972.

Morality and Choice

WHAT OUR GENERATION is in danger of forgetting is not only that morals are of necessity a phenomenon of individual conduct but also that they can exist only in the sphere in which the individual is free to decide for himself and is called upon voluntarily to sacrifice personal advantage to the observance of a moral rule. Outside the sphere of individual responsibility there is neither goodness nor badness, neither opportunity for moral merit nor the chance of proving one's conviction by sacrificing one's desires to what one thinks right. Only where we ourselves are responsible for our own interests and are free to sacrifice them has our decision moral value. We are neither entitled to be unselfish at someone else's expense nor is there any merit in being unselfish if we have no choice. The members of a society who in all respects are *made* to do the good thing have no title to praise.

IDEAS ON



LIBERTY

FRIEDRICH A. HAYEK, *The Road to Serfdom*



WHILE the early afternoon sunshine warmed the wooded hillside, an old man and a little boy slowly wended their way upward toward the top. The old man's hair was snow-white, and though his chiseled features were covered with wrinkled and leathery skin, his pale blue eyes sparkled and snapped, revealing an ageless spirit in a body that had learned to live well. The little boy was like most little boys of about 7—chunky, plump, full of bounce and energy, a mind like a sponge, and indulging in the greatest of all his delights, spending a Sunday afternoon climbing a hill with Grandpa.

It was a slow climb, with lots of pauses, to catch one's breath, to study the trees, the leaves, the shrubs, the bugs, to listen to the birds, and the sound of water bubbling in little brooks and streams,

and the wind through the pine needles, and all of the glories that live on a hillside.

The little boy was a fountain of questions, the old man a treasure chest of answers. Grandpa explained why leaves are green, why moss grows heaviest on the north side of trees, and all about last year's fallen leaves.

Almost before they knew it the top of the hill had been gained, and they sought a place to rest their bones and weary muscles, and to look out upon the vistas below. Grandpa next did what he always did when they were at the top of a hill. They stood up and Grandpa said: "All right, Lad, you're facing north; what compass direction lies behind you, on your left, and on your right?"

The boy answered brightly: "Behind me is to the south, on my left is to the west, and on my right is to the east."

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