

Controversy

New Entrepreneurs

Dear Sir:

First I accept Norman Macrae's ("The New Entrepreneurial Revolution," Spring 1980) quasi-apology for being rude.

Second, I am in support of his idea of the devolution of certain tasks of large corporations to sub-contractors of "new entrepreneurs." This notion is a key one in the trend towards economic democracy.

Third, Mr. Macrae's argument seems flawed and imbalanced by an obsession with his particular theory at the expense of other problems.

There are still large concentrations of economic power who, cloaked in a curtain of privacy, operate beyond either the laws of supply and demand or governmental regulation. Their existence affects everything from workers' lungs to world peace. They are private multinational entities in a world of public national ones.

I reject the idea that these large corporate bodies will benignly devolve. I also reject the idea that a governmental takeover of these private monoliths will bring a good society.

What is needed is a new debate in America — on the level of the Federalist Papers — about the ways to democratize these private giants from within, an alternative to both corporate and governmental bureaucracy. Mr. Macrae's proposal is good, but only one element of a large solution we are searching for.

Those interested in this issue can reach me at the Campaign for

Economic Democracy, 409 Santa Monica Blvd., Room 214, Santa Monica, California 90401.

Tom Hayden
Campaign for
Economic Democracy
Santa Monica, California

Dear Sir:

Mr. Macrae's suggestions for policy in his article ("The New Entrepreneurial Revolution," Spring 1980) envisage new forms of corporations. He does not seek to impose them on society but he looks forward to an age with an extended use of licenses and sub-contractors. It may well be that his forecast trends will actually be experienced, although I, for one, with much less authority based on practical experience, do not interpret current trends as Mr. Macrae does.

But the major opposition he must expect is from critics like the Naders, the Haydens and the Fondas, whose complaint is essentially that labor is denied the right to participate in management and profits. Actually, the form of such complaints can be shown to be absurd, although most spokesmen for "big business" do not appear to realize it. Under the institutions of capitalism there has never been any legal obstacle to the workers sharing in direction and profits *in proportion to the value of the productive services they are prepared to risk in the enterprise*. Indeed, in the extreme

case, they (the workers) could pay interest on the capital value of all assets employed and regard the balance (from sales of the product) as their earnings (i.e., as wages minus losses plus profits). They could then make all the decisions needed concerning prices, costs and outputs. Labor has never had to fight for the right to exercise such entrepreneurial powers. But it is, perhaps, significant that no major experiment along these lines has ever actually been tried. A system exists in Yugoslavia under which representatives of labor make all the entrepreneurial decisions; and the workers have real but limited rights in the property of the undertaking. Yet hybrid systems could certainly be arranged for "shared entrepreneurship", under which both labor and capital put at risk an agreed capital sum and share in "control" (as well as in losses or profits) in proportion of the sum risked. Such alternatives remain an option and always have been an option. If the leaders of the workers had perceived the prospective profitability of cooperating with the providers of the assets which magnify the workers' productivity, such an experiment *could* have been educative and directly fruitful.

As things are, the most effective argument employed against the corporation has been that, although essentially a form of government, only stockholders are entitled to vote for the directorate. The employees of such a concern are, it is charged, denied all democratic rights. To dispassionate students of representative government, the reality is again exactly the opposite. Only stockholders

risk their property. The workers have the right to contractual income.

Of course, good personnel relations can be rationally sought through demonstration of the justice of the firm's arrangements. That can be achieved through courage and candor in administrative discretion rather than through "tact," strategies, and gimmicks. It seems to me that the required conditions can be achieved by winning the workers' recognition that managerial or entrepreneurial discretion is (a) responsible, and *not arbitrary*, and (b) that it is purely interpretative of what I first called (in the early 1930's) "consumers sovereignty." The prices which it pays different entrepreneurs to bid for the services of capital and labor, and the price it pays them to ask for the outputs they sell, are both beyond their power to influence. If they offer too much or too little for inputs, or ask too much or too little for outputs, they will be penalized by a diminution of prospective yields. Because both production and marketing are continuous, at each new contract entrepreneurs are, in a free society, able to offer either more or less for inputs — services — and to ask more or less for the outputs into which these services have been embodied. But entrepreneurs and the managements they appoint are then under powerful market or social discipline as residual claimants on the value of outputs. On the other hand, the workers are protected — rewarded by contractual claims.

In the United States between 65 percent and 80 percent of income accrues to relatively humble people — wage and salary earners.

It is the purchases *they* freely choose to make which determines the use made of men and equipment. In thus determining the form of real income, and ultimately the structure of society's stock of assets, the true rulers of society under democracy are surely consumers.

W. H. Hutt
University of Dallas
Irving, Texas

Norman Macrae replies:

Both Mr. Hutt and Mr. Hayden put forward entirely a reasonable expression of their views, and it's nice to have been able to suggest something acceptable to both of them.

The disagreement between the three of us is that Mr. Hayden thinks that ownership of capital is still the main source of economic power, and old-fashionedly regards this as monstrous. Mr. Hutt thinks that ownership of capital is still the main source of economic power and old-fashionedly regards this as efficient. I think that ownership of capital ceased to be the main source of economic power some while ago and that the most important economic resources now are know-how and imagination.

I don't think managers hired by capitalists can successfully order workers how to use their imaginations, and I don't think collectives voted in after some debate on new Federalist Papers can successfully order people how to use their imaginations either. Because the consumer is sovereign (on this I agree entirely with Mr. Hutt), I think that capitalists are likely to see sooner than collectives that they need to harness imagi-

nations in new ways if they are to prosper. I'm sorry if I sounded, to Tom Hayden, to be obsessed when my own guess is about one way of harnessing them. Any systems of successfully harnessing imaginations will make money and make people happier. Any system of trying to order efficient brain workers about whether by majority stakeholders' vote or by majority stockholders' vote, will go abust.

Why Polls?

Dear Sir:

Victoria Sackett's article on public opinion polls and affirmative action ("Ignoring the People," Spring 1980) is judicious and intelligent. But it suffers from all the conceptual flaws of its subject: The arithmetical sums of "public opinion" which lend democratic garb — new sovereignty finery — to the projected images of the media kings, and which give an almost totally spurious numerical substance to what Walter Lippman once called the "phantom public."

The article begins with a major substantive concession to the Left. Implicit in all the survey questions is the demonstrably false assumption that discrimination remains a major problem in American society. More important, the poll implies the existence of a refined and specific mass public view on the issue of affirmative action, when in fact most Americans, happily enough, have far better things to do with their time than to think about this dreary subject. Their replies to the poll more resemble a Rohrshach response to various changed words and concepts (discrimination, qualifications, equality, and the like) than a deliberate political judgment.

As in most such surveys that do not deal with immediately impending elections the question itself is the most important source of information for the vast majority of respondents and largely determines their answers. To add up these answers into an arithmetic aggregate and then lend it the democratic majesty of "public opinion" is a venture more akin to astrology, or numerology, than to political analysis.

Finally, the poll implies that on such issues all opinions are somehow equal, when in fact the real political impact or value of opinions varies immensely with the status and stake of the respondent and the intensity and authority of his belief. To equate the view of Walter Cronkite with that of the man on the street is neither democracy nor science; it is simply nonsense.

While the President's views change weekly at the behest of "Pat" Caddell and while many other leading politicians are also serving as avid dummies for ventriloquist pollsters, this fetishism of numbers has become a serious disease of our politics, accounting to an important degree for our failures of policy and courage in government. I think it is unfortunate for a conservative publication like *Policy Review* to join in the fray. Democracy can only work to the degree that it is republican, maintaining the integrity of representative institutions and summoning clear and authoritative leadership. The polls, to the extent they are taken as a guide to public opinion, virtually prohibit leadership, since at their best they signify fashions arising from earlier and usually irrelevant conditions and

events.

George Gilder
Tyringham, Massachusetts

Victoria Sackett replies:

Mr. Gilder's fine letter raises points which all should consider, especially during a time when we seem to be inundated with, and perhaps governed by, the polls. I agree with several of his sentiments about public opinion polls, but take issue with their particular application here.

Public opinions are frequently every bit as amorphous as Mr. Gilder suggests. It is true that the public, and the polls, are subject to all manner of ignorance, untruth, whim, misinterpretation, and manipulation. That these things are true does not argue that there is no proper role either for the public's opinions or the measurement of those attitudes. Public opinion polls, when designed, executed, and interpreted properly can constitute an accurate barometer of public sentiment regarding the broadest and most important principles undergirding our democratic republic. Let us not forget that we are not *simply* a republic — but a democratic one.

One should approach public opinion polls in a manner similar to Alexis de Tocqueville's exploration of the American condition. Polls should, and reveal no more and no less than the health of the nation as viewed by its people. Polls should not be used a referendums or even prescriptions for policy. Only elections should be so utilized.

The *Policy Review* survey was not treated as the last word on public attitudes toward specific

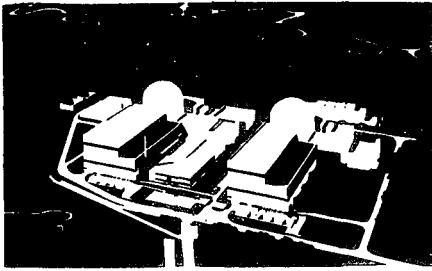
policies on affirmative action. It did not suggest any activity or remedy, or even the need for a remedy. The survey was added to the existing stockpile of information on affirmative action attitudes, and affiliated opinion. It was put into context and discovered to support earlier findings. Even then, the conclusion was a general one. The public adheres to one of the most basic American values — equality of opportunity. It rejects guaranteed results. Such a conclusion should be comforting, *especially* in a conservative forum.

Polls on specific issues can reveal information about the precepts

which founded the democratic republic. It is important to know whether or not those precepts continue to be held dear.

Not all Americans hold strong opinions. Many do, and they are based on error. Thus, as Mr. Gilder asserts, the holding of strong opinion does not constitute wisdom or the ability to lead — or even the capacity to broadcast the evening news. Careful analysis of public opinion can, though, indicate the nation's health. It can suggest a need for action if it is discovered that faith in fundamental principles has eroded dangerously. It can not tell us what is to be done. That is for true leaders to decide.

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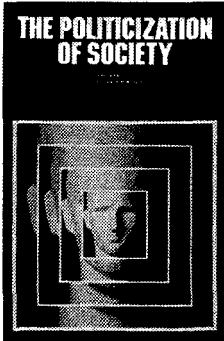
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Edited by Kenneth S. Templeton, Jr.

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God and Man in the Corporation

MICHAEL NOVAK

Events in Iran and Nicaragua have begun to show public policy analysts that they leave religion — and, specifically, the ideas of theologians — out of their calculations at their peril. Religion seems today to be as powerful a force in world affairs as at any time in the past. It may yet become, through modern instruments, more powerful than ever. So it is probably less necessary to persuade public policy experts to learn more about the intellectual activities of the world religions than to persuade theologians and church leaders to attend more carefully, and more empirically, to matters of public policy. Before one can talk about “the theology of the corporation,” for example, one must learn a great deal about economics and political economy.

Yet few theologians have attempted to reflect systematically upon economic activities and economic systems. In particular, there exists no theological description and critical evaluation of democratic capitalism. Most theologians of the last two hundred years have approached democratic capitalism in a pre-modern, pre-capitalist, pre-democratic way, or else they have been socialists. How can such theologians fairly understand the business corporation?

Historically, the corporation represents an invention of law which made democratic capitalism possible. Neither participatory democracy nor capitalism could exist without the corporation. The existence of the corporation, furthermore, gives the lie to all theories of capitalism which focus exclusively on the individual. As an expression of the social nature of humans, the corporation offers a metaphor for the ecclesial community which is in some ways more illuminating than metaphors

1. This essay has been adapted from a longer version presented at a conference on “The Judaeo-Christian Ethic and the Business Corporation,” jointly sponsored by the theology department and the business school at the University of Notre Dame. The full version will be published as a pamphlet by the American Enterprise Institute later this year.

Special thanks are due to John W. Cooper for research assistance.