

an Imperial President but an entire collectivity of powerful interests ranging from big unions and big business, mediated through big government, are involved in the American Empire.

Having looked at the Empire and the Emperor, however, von Hoffman has trouble telling us where he really stands in regard to it all or in making any suggestions about what can be done to change it—except for two quite contradictory statements, one harshly explicit, the other dishearteningly vague. First, the vague. To “build true and forever” (both artifacts and society) “we must replace management with politics. We must understand we can be manipulated by false harmonies, as we can injure ourselves with the love of discord. Politicize, polarize, ignite the rancors of politics, disunite, crack open the one-party state; no change, no democracy is possible without friction.” Hope that some sort of libertarian notion is embedded in that typically elliptical von Hoffman prescription is sustained by his own background of statements at least suggesting a disposition toward liberty and by an earlier statement in this very book that the sort of change he sees as desirable would, at least, be decentralist in direction.

The not-so-vague suggestion is, simply, that violence is the only effective engine of change. His first reference to it is in regard to the interests of black Americans. None of the laws passed to help them, he says, “were carried out until blacks took first nonviolent and then violent action.” He does not explore the possibility that the events were either coincidental or causatively *reverse*. Later on, he states it more baldly: “To effect change you have to threaten a slave rebellion, start a riot, set off a mini-revolution, induce a galvanic event outside the marble-pillared buildings with concussion waves severe enough to disturb the eternally mortuarial tranquility within.”

Those are deeply important thoughts to be dropped with so little analytical undergirding. Either that, or they are too deeply personal to be discussed at all except in a poem.

Having had such a readable run at supportable revisionist history throughout the body of this book, it is a shame and probably a waste that von Hoffman didn't go ahead and have a better run at what can be done so as not to mindlessly repeat it all. Certainly he could have focused his sharp eyes on the amazing, nonviolent act of revolution whereby an “underground” economy estimated to be as great as \$150 billion a year operates in this country. Or he could have snapped with those grandly sarcastic flourishes at the nit-wits now occupying so many corporate boardrooms and doing their level best to make sure

that no entrepreneurs get in. Whenever he does look at stumblebums in high places, he can evoke gales of laughter. Good, so far as it goes. What we badly need to know, after the laughs, is whether that's all there is—or is there some serious purpose, statement, and way of living from which the laughter proceeds and which keeps it from becoming merely nihilism and, eventually, mumbling madness.

Karl Hess is the author of Dear America, which recounts his journey from conservatism to libertarian anarchism.

In Defense of the Corporation

By Robert Hessen.
Stanford, Calif.: Hoover Institution
Press. 1979. 116 pp. \$7.95.

Reviewed by D. T. Armentano

Ralph Nader has recently fallen on hard times. It is clear that he no longer commands the knee-jerk allegiance of either the press or the Congress. Perhaps his most revealing reversal, though, has been with the public at large. “Recall Ralph Nader” bumper stickers are currently as popular as the Corvair that Nader helped destroy a decade ago.

In one sense this decline in public esteem is remarkable when one considers that there have been few substantive criticisms of Nader's *ideas*. Most of the critical writing on Nader has tended to fault his character or his political style or the fact that, although well-intentioned, he has sought to go too far too fast. But his ideas and his ideology have managed to escape serious challenge. Thus while Nader's personal influence might have declined, the statist intellectual position that he often champions has yet to be officially discredited.

Robert Hessen's *In Defense of the Corporation* may well discredit what still remains of the Nader myth. In this hard-hitting but scholarly account, Hessen wields a rapier that slashes deeply into Nader's theory of incorporation and his proposal for federal chartering of large corporations. Hessen has adopted a thoroughly direct methodology—meet argument with argument, fact with fact, and analysis with analysis—and there is little to salvage of the Nader position when he is through operating.

There are important stylistic virtues in this book that contribute to its overall effectiveness. Hessen has taken an entrepreneurial risk by choosing to write a short book rather than a long, exhaustive treatise. In my opinion, this decision was

an eminently sensible one. *In Defense of the Corporation* is a slim volume (116 pages of text) but extremely literate and well organized. We get the Nader position and we get the Hessen analysis; period. There is no getting off the track, no meandering about, no filler, no wasted space. Hessen knows where he is going, and he goes there without delay. This is efficient and sensible writing at its very best.

What Hessen says is also perfectly sensible—so sensible that one wonders why anyone has taken Nader's views on corporations seriously. Nader et al. share a common conception of the corporation that Hessen labels the “concession” theory. According to this notion, corporations are “creatures of the State” with State-created privileges and immunities not available to noncorporations. The alleged quid pro quo for these privileges is that corporations “consent” to be regulated by the State in the public interest. Further, Nader has contended that all large corporations are run by a self-perpetuating management “autocracy” that runs ripshod over legitimate stockholder interests. Nader would remedy this situation by mandating shareholder participation in all important managerial decisions. Finally, under federal chartering, corporations that sell more than 12 percent of a market for more than five years might be divested in order to restore “competition.”

Perhaps the most interesting and innovative aspect of Hessen's analysis is his historical treatment of the concession theory. Most of the corporate critics see the corporation as an artificial entity with privileges from the State that require some quid pro quo. Hessen argues that this concessionary view cannot be logically or historically applied to the modern business corporation. Since the enactment of *general* incorporation statutes (Connecticut, 1837), corporations have simply been voluntarily formed organizations created through freedom of contract and association. The State's role is thus seen as purely *procedural* and the corporate charter itself as purely *informational*. If he follows the rules, *anyone* can form a corporation; the State then *records* that information as it would a birth or a marriage. Finally, according to Hessen, the organization formed has no more rights—and no fewer—than those of the individuals that formed it.

Hessen strongly disagrees with the notion that the corporation must be seen as some special “entity” with an existence apart from those who own or manage it. He also strongly opposes the idea that the special features of incorporation are “privileges” in the usual sense. Indeed, Hessen maintains, entity (legal) status, “perpetual life,” and limited liability

could be achieved—and historically *have* been achieved—through voluntary contract without the State.

Hessen prefers to treat these features as legal conveniences rather than as grants of privilege from the State. It is legally *convenient* for purposes of business that the corporation be treated as a single legal entity—but this is not unique to corporations. It is legally *convenient* that the articles of incorporation not be renewed, but certainly this cannot be construed as a governmental privilege. And finally, limited liability is a legal convenience that could be accomplished without the State; each corporation would place a clause in

every contract limiting the right of recovery to some designated fund—and not the shareholders' individual property.

Limited liability for torts, on the other hand, *is* seen as a privilege, and the law should be amended:

The proper principle of liability should be that whoever controls a business, regardless of its legal form, should be personally liable for the torts of its agents and employees. . . . The safeguards open to general partners and corporate officers would include more careful selection and closer supervision of personnel and the purchase of larger

amounts of liability insurance.

I would make two specific criticisms of Hessen's book. The first is that his "inherence" theory of incorporation—that corporations are legitimate since they are created and sustained by an "exercise of individual rights"—is, *itself*, nowhere defended. It is asserted (or taken for granted) that individuals have natural rights, but nowhere is it argued or demonstrated that they do. This failure to provide justification for a theory of rights is, of course, crucial, since it can always be maintained (by the statists, to whom the argument in this book is presumably directed) that no such natural rights exist or that we are simply talking "religion."

A second criticism is that the author may not have marshaled *all* of the intellectual support for some of his positions that he might have. For example, economists such as Harold Demsetz, Yale Brozen, John McGee, and Robert Bork have written eloquently on the efficiency of industrial concentration and upon the nonsense of forced deconcentration; yet these heavyweights do not appear (even in a footnote) in Hessen's chapter "Breaking Up Big Business." This is a solid chapter, and Hessen's arguments are valid; but why make a less effective case against the likes of Robert Dahl and Willard Mueller than is possible?

These minor caveats, however, cannot subtract from the overall effectiveness of this monograph. It is powerful reading and deserves to be well received.

D. T. Armentano is the author of The Myths of Antitrust. He teaches economics at the University of Hartford.

Book Hints

a selective mention of books received

Meddlers in the economy have seen to it that these are bad times, and it is not surprising that thoughtful people are looking to the wisdom of the past. For starters, Arlington House has brought out a new edition of Henry Hazlitt's classic, *Economics in One Lesson* (1979, 218 pp., \$8.95), with updated data, a new chapter on rent control, and a final chapter: "The Lesson after Thirty Years." In the 1930s and '40s, a man named Edward C. Riegel was a prolific author (*The Meaning of Money, Dollar Doomsday, Private Enterprise Money, The New Approach to Freedom*, to name some of his works), a harsh critic of deficit spending and the New Deal, and a fierce defender of individual freedom. He never had a degree and printed many of his books himself. He might have passed into oblivion but for the Heather Foundation (San Pedro, Calif.), which has reprinted his *New Approach to Freedom* (1976, 109 pp., \$10.95), adding some essays from his other writings, and published a book that was in draft form when Riegel died in 1954—*Flight from Inflation: The Monetary Alternative* (1979, 168 pp., \$13.95/\$6.95). In *Forty Centuries of Wage and Price Controls* (Washington, D.C.: Heritage Foundation, 1979, 184 pp., \$9.95), Robert L. Schuettinger and Eamonn F. Butler show how government is invariably the cause of inflation and how wage and price controls, popular with governments since the time of Hammurabi, invariably don't work. And in the new, paperback edition of his bestseller, *A Time for Truth* (New York: Berkley Books, 1979, 280 pp., \$2.50), William E. Simon says in a new epilogue that he really did mean it when he said things were bad—and he means it even more now.

For those who are trying to make their own way out of these bad times: *The Incredible Secret Money Machine*, by Don Lancaster (Indianapolis: Howard W. Sams & Co., 1978, 159 pp., \$5.95 paper), tells how to set up your own computer, craft, or technical business. *Job Opportunities in the Black Market*, by Burgess Laughlin (Portland, Ore.: EBLJ Publishers, 1978, \$6.00 paper), surveys working conditions in the illegal but victimless economy and describes the role of retailers, wholesalers, entrepreneurs, etc., in the black market. *Black Market Operations*, on the other hand, by Ted Roselius and Douglas Benton (Mason, Mich.: Loompanics Unlimited, 1979, 102 pp., \$6.00 paper), purports to be, not a self-help manual, but an application of marketing theory (by two business-school professors) to the fencing of stolen goods. Loompanics also offers a *Directory of Mail Drops in the United States and Canada* (plus some foreign countries), compiled by Michael Hoy (1979, 22 pp., \$4 paper). And Dennis D. Murphy has updated his *Directory of Conservative and Libertarian Serials, Publishers, and Freelance Markets* (2d ed., 1979, 64 pp., \$4.95 paper).

And just for fun: *Made in America: Eight Great All-American Creations*, by Murray Suid and Ron Harris (Reading, Mass.: Addison-Wesley, 1978, 186 pp., \$10.95/\$5.95), gives the history of Coca-Cola, Frisbee, King Kong, Levis, McDonald's, Monopoly, Superman, and TV, along with photos, games, activities, drawings, etc. Fun! *Why Johnny Can't Run, Swim, Pull, Dig, Slither, Etc.*, subtitled *A Fairytale for the Young at Mind*, by Jason Alexander (San Francisco: Sitnalta Press, 1978, 206 pp., \$5.95 paper), is a romantic tale that manages to get in philosophical, political, and aesthetic comment and uses plenty of photos (of art work) and drawings. And *The Case of the Philosophers' Ring*, by Dr. John H. Watson, "unearthed by" Randall Collins (New York: Crown, 1978, 156 pp., \$7.95), has Sherlock Holmes working on an intrigue involving Bertrand Russell, Ludwig Wittgenstein, John Maynard Keynes, G. E. Moore, G. H. Hardy, etc.

—M. Z.

Overload

By Arthur Hailey.

New York: Doubleday. 1979. 402 pp. \$10.95.

Possibly not as dramatic as Hailey's famous *Airport* or *The Moneychangers*, this latest novel is much more realistic and prophetic, in a way, of things to come. The story of the "Golden State Power & Light Company (translate: Pacific Gas & Electric and Southern California Edison) versus the "Sequoia Club" (translation obvious) and two groups of radicals, one bent on public harassment and the other on underground violence to utility facilities and people, this novel weaves together a number of utility executives and their opposition in an adroit and colorful way.

The utility is being opposed in everything it seeks to do—increase rates to keep up with high fuel and operating costs, get site approval for a new 5 MW coal plant, an additional geothermal