Two Cheers!

Article # :	14515		
Category :	BOOK WORLD > FEATURED BOOK: Paul H. Weaver's *The Suicidal Corporation*		
Issue Date :	3 / 1988	→ Print →Close	
File Size :	7,097 Words	Page :	381

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Paul Weaver rightly challenges corporations to take a more active role in defending the marketplace.

Great crises will surely come again, as they have from time to time throughout all human history. When they do, government will almost certainly gain new powers over economic and social affairs.... For those who cherish individual liberty and a free society, the prospect is deeply disheartening.

--Robert Higgs, Crisis and Leviathan

Joseph Schumpeter once asked the question--"Would capitalism survive?" His answer--"Probably not." Schumpeter believed that many factors mitigated against the survival of a free market economy. Among various debilitating factors, he listed the loss of political and social support for this system that he believed would likely accompany the emergence of the modern corporation. He also noted that capitalism encouraged the emergence of an intellectual class that would prove inherently hostile to its survival. Finally, Schumpeter believed that capitalism was a rationalizing force that would eventually destroy the ideological and moral underpinnings vital to its survival.

History bears out Schumpeter's pessimism. As Robert Higgs notes in his insightful book, every crisis of the last hundred years has ratcheted upward the power of government over the economy. Power continues to gravitate from business to political centers, from the world of voluntary agreements to that of coercive mandates. America, in terms made famous by Frederick Hayek, has traveled far along The Road to Serfdom.

A free society is not stable. There is always a tension between those groups now enjoying power and prestige and the emerging forces of change. The status quo forces always seek to preserve the old regime, using political means to that end. Since politicians naturally respond to the visible present rather than the promised future, politics generally supports the past against the future. The historic result is that the conditions for a free society have rarely been met and even more rarely sustained for any length of time. Only unusual conditions--an open frontier, strong restraints on government, commitment by significant groups of intellectual and moral leaders to decentralization and free markets, a vigorous and independent business sector, a growing and diverse population, rapid technological change, war or some other chronic disruption undermining the status quo--have permitted the dynamism that is necessary (but of course not sufficient) for a free society.

Paul H. Weaver's The Suicidal Corporation: How Big Business Fails America addresses one aspect of this question by asking whether the corporation has played a positive role in the war for economic freedom. As his title suggests, Weaver believes it has not. Weaver sees corporate America as too quick to seek political entitlements and too slow to combat government attempts to cripple its independence. Based on his experiences at Ford Motor and a review of recent economic history, Weaver develops this theory in the first two parts of the book. His concluding section argues that the political-economic climate has changed and that the corporation should, indeed must, assume a more responsible role in defending our free enterprise system.

Weaver sketches his theories in broad brush and there is much to quarrel with in the details. His indignation and his limited research into other periods and other companies lead him well afield of what the evidence justifies. Thus, his book is best read in conjunction with other books addressing the interaction of markets and politics. For example, Burton W. Folsom, Jr.'s Entrepreneurs vs. the State [see "Reviews"] is a valuable historic account of the difference between those businessmen who became wealthy via market entrepreneurship and those who sought (and often gained) wealth via political favoritism. Folsom provides a necessary balance to the Weaver book pointing out that there have been corporate heroes as well as villains. Robert Higgs, (the reviewer of the Folsom book) authored Crisis and Leviathan: Critical Episodes in the Growth of American Government, which addresses the growth of government from a variety of perspectives and merits considerable attention. Finally, Marvin N. Olasky's recent title, Corporate Public Relations: A New Historical Perspective, expands upon the failures of corporate public affairs, a topic also addressed by Weaver.

Overview

Weaver is a talented business journalist, well able to provide an informative and interesting story of the modern corporation and its relation to the political world. The first of his three sections, "Dearborn Days," describes his experiences in corporate public affairs at Ford. The section documents Weaver's transition from an impassioned (self-described) neoconservative defender of American business to a harsh libertarian critic of the "pathological" corporation. His second section, "Management vs. the Market," generalizes from this experience and presents what might best be classified (despite Weaver's libertarian claims) as a neopopulist critique of the modern corporation. His concluding section, "Towards Capitalism," summarizes recent trends that Weaver believes will force corporations to adopt more rational policies, and presents his recommendations.

'Dearborn Days'

Weaver's account of his experiences as a public affairs director at Ford is intriguing and illustrates well the risks a firm runs in hiring intellectuals. Weaver played the game--but he also played at the game, taking notes and noting names. The resulting observations, both pithy and pertinent, will certainly disturb some former colleagues. The chapter titles indicate the section's tone--"Lies," "Passivity," "Narcissism," "Deals," "Careerism," and finally "A Neoconservative's Repentance." Weaver came to Ford, he states, to defend the company and capitalism. He was shocked to find that Ford was less eager to mount the strategic defense of the West.

Weaver's disillusionment was total, as was his condemnation of Ford. He condemns Ford for its failure to develop a more effective public affairs program--in particular, its failure to reach out to workers, stockholders, and other potential allies. Weaver views Ford's public affairs work as self-defeating. Issues were either avoided, dealt with internally, or were either avoided, dealt with internally, or addressed via some special accommodation. Weaver illustrates this in an extended discussion of Ford's response to the newer federal safety, environmental, and energy regulations of the 1970s, as well as the more traditional tax and trade policies.

An example was the way that Ford reacted to the Corporate Average Fuel Economy (CAFE) standards, originally imposed on the auto industry during the Carter years. CAFE regulations required that the "average" car sold by Ford in each model year attain a specified fuel efficiency. Weaver was involved in the question of what relief, if any, Ford should request in response to the changed conditions brought about by falling energy prices. Lower energy prices, not surprisingly, led consumers to seek out larger, more comfortable, better-performing, and safer cars. The CAFE regulations, however, made it difficult for Ford to build them.

Weaver was surprised and disappointed to find that Ford sought only relief and made no effort to repeal CAFE. Weaver might have been even more disappointed if he had realized just how strong the case is for such repeal. CAFE not only seriously distorts consumer choice, it also creates special problems for Ford and GM. These firms suffer because they manufacture a full line of automobiles. CAFE requires Ford to balance large and small care sales; every Lincoln sold must be balanced by the sale of one or more Escorts. Moreover, CAFE standards require Ford to design cars for future model years with no guarantee that they can be sold. High performance cars are sometimes downgraded to achieve CAFE standards. Even worse, by forcing Americans into smaller (and statistically less safe) cars, CAFE has indirectly increased traffic fatalities considerably over the last decade. Moreover, even as an energy conservation measure, CAFE is inefficient. In brief, the public interest case for repealing this law is obvious and dramatic.

Ford, in particular, would benefit from such repeal. Not only does CAFE require Ford to sacrifice market share, restrict design option, and lose performance ratings, it also provides competitive firms major advantages. CAFE is less an issue for most foreign firms. Many European firms have operated for decades in economies handicapped by extremely high energy and automobile taxes; moreover, many such cars fall into the luxury category where CAFE standards are less significant. Japanese and Korean manufacturers produce smaller cars that easily meet CAFE standards. CAFE is an extremely anti-U.S., anti-competitiveness policy--yet, it remains the law of the land; in part, Weaver argues, because Ford has never challenged it.

But is Weaver right? Is there any reason Ford should avoid a repeal fight? Possibly. Weaver was at Ford for only a short time, and he hasn't provided us a history of how these issues had been addressed in earlier years. Had Weaver checked out this history, he would have found that neither the first nor the second Henry Ford toadied to government. In many ways, the Fords played the game the way Weaver would have wished. As related in The Fords: An American Epic by Peter Collier and David Horowitz, during the New Deal period, Henry Ford I rejected a personal appeal from Pierre Du Pont to join and support the National Recovery Administration plan to cartelize American industry; Ford's publications chortled when the Supreme Court knocked down the plan. Under Henry Ford II, the company took the lead in organizing Detroit's response to Ralph Nader's safety challenge. Henry Ford II argued that the safety issue was misleading. He noted: "We can build a tank.... If you want to ride around in a tank, you won't get hurt. You won't be able to afford one, though. And neither will I." Despite the opposition of its Washington representatives, who sought an early compromise, the Ford leadership argued that Detroit had always sought to make safe cars and had every intention of making even safer cars in the future. Ford's attitude was not considered "positive," and Congress went on to enact a series of mandatory safety regulations.

Perhaps, Weaver should rethink his position. Is it possible that industry cannot simply get what it wants, even when it argues on principled grounds; that industry might lack the credibility and stature necessary to present an effective case for rational safety, environment, and energy policies? What's good for GM is, indeed, often good for the United States, but do we really believe that GM is the best group to make that point? Weaver might well argue that, had Ford done a better job, they might have won. However, they didn't. Weaver had joined a battle that had been going badly for some time. He had joined an industry that had been battered for over a decade by Congress, the press, and an extremely hostile public interest movement. Charging the machine-gun nests once again must have looked pretty silly to the older hands at Ford.

Weaver's disillusionment with Ford soon broadened to a critique of American business in general. Weaver initially sought that Golden Age in which businessmen were virtuous free enterprisers eschewing government handouts and special privileges. Instead, Weaver found that:

From the very beginning, it [the corporation] had taken the kinds of political positions I'd seen at Ford. The corporation had never been for markets, limited government, private property, or the other values associated with the business cause. It had always spoken of the "social responsibilities" of business. It had always tried to derive private advantage from public policy. It had never been the rock-ribbed, promarket, straight-talking institution I had imagined.

Weaver concluded that "[t]he corporation is a flawed institution, that democratic capitalism is a flawed system, and that both are in need of criticism and reform." Weaver was angered to find that his new anticorporate sentiments were not well received by his former neoconservative friends. "It made me sick to my stomach," Weaver states, "that these old friends [the neoconservatives] were trying to protect organizations like the one I'd gotten to know in Dearborn."

Despite Weaver's disgust at Ford, he ends the Dearborn section with an incongruous commendation of Ford's turnaround. The ending lacks continuity. Ford hasn't changed. It still favors protection from "unfair" Japanese competition via continued "voluntary" restraint agreements. It has yet to seek the repeal of the CAFE standards or any other car-related safety, health, or environment regulation. It has no obvious strategic plan for its political future. Why then has it been able to do well? Why hasn't it been forced, as Weaver argues American industry eventually must be, to turn back to the marketplace? Weaver doesn't say and we are left confused.

'Management vs. the Market'

In the second part of the book, Weaver further develops his thesis that Ford typifies the modern corporation, which in turn, is largely responsible for the growth in government. Weaver first catalogs the sins of the early corporation from the turn of the century onward, then those of modern "big" business. To Weaver, the corporation was created by ambitious men who sought to slip the "surly bonds of traditional capitalism" [feudal capitalism?] and "seize the soaring opportunities of modern technology and markets." (These comments, I believe, are intended to be critical.) Weaver accepts the populist "Robber Baron" version of history--the Folsom book provides a useful counterview. These individuals, he notes, were "contemptuous of existing way of doing business and unmoved by the ideals of individual rights, limited government, free markets, and the rule of law." All this, Weaver suggests, means that from the very beginning, "the corporation has always been up to its hips... in politics."

Weaver, thus, views the emergence of the modern corporation as a significant and negative event in American history. Preceding this event, he asserts "lies the American political tradition as we usually imagine it--the world of Madison and Jefferson, market capitalism, limited government, and individualism." The arrival of the corporation signals the beginning of the end, the modern world in which amoral businessmen manipulated the political system to the detriment of both society and, ironically, even themselves. Corporate managers dehumanize the workplace in their obsessive drive for efficiency, seeking little input from the workers involved.

Weaver would have done well to have read more history. Rent seeking isn't a modern invention. For hundreds of years prior to the evolution of the modern corporation, firms--often small firms--sought, and often obtained, special privileges from their local politicians. Adam Smith spent considerable time discussing the problems such favors created for the rest of society. Smith was not naïve. He knew full well that some businessmen would seek profits by whatever means were available. He merely thought society should make it hard for them to do so. Smith, like Madison and other market-oriented individuals, was well aware that the citizenry would have to resist the expansion of special privilege seeking and wrote to strengthen that resistance. Weaver is too quick to see the modern corporation as a problem.

The emergence of the modern corporation, after all, strengthened the relative power of the market vis à vis the political world. Corporations were the largest economic entities ever known and, thus, less subject to negative political entitlements. Grasping political bosses could be bypassed or ignored readily (the Folsom book provides some excellent examples of this). Still, corporation, like their non-corporate predecessors, often sought entitlements from government (the railroad land grants are a well-known example), but the scale and strangeness of the corporation ensured more negative media attention than attended similar favors granted earlier to "small" businesses. Politicians therefore faced somewhat higher costs in granting such favors and this may have made them somewhat more cautious. (The empirical question is probably unanswerable--favors at the local and state level are often managed in ways that leave less visible traces than the "naked" subsidies awarded the robber barons." Certainly, the muckrakers focused their guns on "Bug Business"--they weren't interested in writing about "local" monopolies.

We need not overstate the case. Weaver should only have presented a more balanced account. As Folsom notes in his book, some early corporate leaders such as Vanderbilt and James J. Hill recognized very early that political preferences had strings attached. They stuck with the market and did very well. Avoiding the political tar baby also allowed them to escape being handicapped by federal "negative" entitlements (Folsom mentions the problems that Union Pacific faced in not being allowed to build spur lines). Unfortunately, the freedom of even these market entrepreneurs was gradually reduced as federal politicians used the abuses of the robber barons--abuses encouraged by the entitlements these same politicians had earlier enthusiastically endorsed--to justify greater government control over the economy. For example, Hill's pro-consumer pro-competitive rail policies were curbed by the Sherman Anti-Trust Act (the antitrust laws were argued as necessary to curb the excesses of the robber barons but have been used consistently to restrict competition).

Still, federal intervention was limited in the late nineteenth and early twentieth centuries. Over time, of course, the federal government has become at least as creative at designing and enacting programs--both favoring and harming business interests--as state and local governments. Today, corporations find it far too easy to gain special favors, as do the groups who favor antibusiness programs. This situation is serious and the corporations have helped bring it about.

Weaver seems concerned by the massive power corporations wield. Had Weaver read Robert Hessen's In Defense of the Corporation, he might have been less concerned. As a libertarian, he might have considered the reference from Ayn Rand Quoted there:

What is economic power? It is the power to produce and to trade what one has produced. In a free economy, where no man or group can use physical coercion against anyone, economic power can be achieved only by voluntary means, by the voluntary choice and agreement of all those who participate in the process of production and trade.... Economic power is exercised by means of a positive, by offering men a reward, an incentive, a payment, a value; political power is exercised by means of a negative, by the threat of punishment, injury, imprisonment, destruction.

We need not fear market power. Weaver should have noted that, even today, most businessmen rely on their market expertise, rarely resorting to political influence. They recognize that their comparative advantage lies in market, not political, entrepreneurship.

Weaver is right, however, to challenge the business community to play a more active role in defending the marketplace. Academics and free market ideologues are critical to this fight, but they lack the resources to mount a full-scale battle. Moreover, free market intellectuals will always be a minority--most intellectuals benefit, at least, in the short run by an expanding state. A brief discussion of some of today's market entrepreneurs--Ken Iverson of Nucor Steel, Sam Walton of Walmart, or Fred Smith of Federal Express--and how these men could contribute to the war for economic freedom would have been useful. Such modern entrepreneurs form the group within the business community most aware of the value of the competitive process and most likely to value its survival.

In Weaver's second section, his central and most controversial point is raised. Weaver argues that the major problems faced by business today result from its own suicidal behavior. Business creates the antibusiness environment. Now, as noted earlier, Schumpeter's theory alludes to a similar point, but Weaver is arguing something rather different. He argues that business has acted against its own best interests, that business has been irrational. Weaver recognizes that this claim is controversial and specifically addresses three alternative explanations on why business so often capitulates to antibusiness policies: the free rider, rational acquiescence, and risk-avoidance theories. Weaver argues that the alternative explanations are interesting but wrong--as he puts it: "Nice try, but no cigar."

The free rider explanation is that while a stronger separation of business and politics is desirable, no individual firm will find it in its best interest to pursue that objective. If one does and succeeds, he pays the costs and everyone benefits. The altruistic firm may find itself committing all of its resources and garnering only a fraction of the benefits. Why then, should any business seek to bell the government cat?

Weaver attacks this argument directly. Might it not be rational for even a single firm to take on issues that impact heavily on its own economic situation? CAFE, for example, is an expensive proposition for Ford alone. Ford managers must devote considerable time to reviewing this regulation for its implications: Product quality must be compromised and prices must be distorted to manipulate demand. Moreover, CAFE greatly complicates Ford's design and marketing problems. A two-tiered CAFE battle plan in which Ford would continue to fight the tactical short-term battle for eased regulations, while simultaneously mounting a strategic fight for total repeal (possible in conjunction with allies) might well represent an investment attractive to Ford alone. That such a strategy would also benefit other firms should affect Ford's calculations only if such a campaign would weaken the company vis-à-vis its competitors or if a victory would tilt the decks against Ford in the future. Neither seems likely.

Weaver also suggests a type of "reverse free rider" argument. There are costs, he notes, of not defending oneself. That point is sometimes recognized; firms do prosecute shoplifters even when the specific losses incurred would seem not to justify the expense. They do prosecute, of course, to deter future thefts. Doesn't government action deserve at least the same degree of commitment?

Moreover, it may not be necessary to go it alone. Weaver suggests that the costs of organizing groups that share a common complaint (negatively impacted by some specific law) have been overstated. It may be entirely feasible to create issue-specific coalitions that could effectively fight antibusiness policies. In fact, American industry has occasionally waged such battles. Examples include GM's fight over the Department of Transportation's condemnation of the X-car's braking system, and Sears' refusal to settle a "discrimination" suit brought against it by the Equal Employment Opportunity Commission. Unfortunately, few such examples come to mind. Nor are companies quick to generalize from these experiences. Clearly companies feel uncomfortable opposing foolish policies advanced by "motherhood" agencies.

Business needs other groups to cover it while it takes on some of these very difficult battles. The business community should actively encourage independent groups within the public interest and academic community to assess the merits of various government programs. Third party views can be helpful in making policy change possible. Transportation deregulation, for example, moved forward in part because the press finally recognized that the Interstate Commerce Commission and the Civil Aviation Board were not acting in the consumer interest. Business should assist academics and other free market advocates to soften specific policy areas before it takes the offensive. Case studies of past battles where corporations have taken principled stands would be useful.

Weaver's refutation of the rational-surrender school is straightforward. He argues that business has overrated the risks of opposing government policies. He may be right. Still, there are aspects of this question worthy of deeper consideration. Corporations find it difficult to win disputes with government "safety" agencies. Front-page discussions of how many people may or may not have died using your product don't improve quarterly profits. Customers react sharply to the publicity surrounding the issue and pay little attention to the corporation's rebuttal. For many Americans, if someone in Washington says it, it must be true. Agencies therefore have considerable leverage when dealing with any firm. Is a business incorrect to consider surrendering? If it believed there were some chance that it might gain a strategic victory, then it might respond differently; but Weaver provides no convincing evidence that business can win these fights.

Weaver is aware of the agency problem; the risk to the firm opposing the government may be much less than the risk to the firm's employees. The Washington representative wants to get along, to be reasonable. Like the diplomat engaged in arms control work, his career goal is to reach an agreement. Opposition, especially vigorous opposition, is likely to enrage the bureaucrat, the committee chairman, the agency head, key staffers. Recognizing this reality, some Washington lobbyists have proudly announced that their company never opposes anything--that would be too negative. Still, risks are real. Political warfare, like other conflicts, results in casualties. Yet, most Washington lobbyists are recruited from the political world; they have no obvious skills elsewhere in the corporation. (As Michael Deaver noted, he was unlikely to become a brain surgeon.) Thus, the Washington representative's reluctance to charge congressional machine-gun nests--regardless of the value of taking such positions for the firm--is understandable.

To address this problem, firms might consider integrating the political and public affairs team into the overall corporate management structure. Tradeoffs between knowing the Washington terrain and knowing the corporate interest in negotiating that terrain are unavoidable and should be made wisely. Weaver reviews this problem noting a "pleasant, thoughtful, highly regarded young finance staff director who had lead responsibility for our relationship with the Council on Wage and Price Stability." Weaver comments that, regardless of the interests of Ford, that individual certainty benefited from the continuation of federal wage and price programs. This tension between the interests of the firm and the interests of the Washington office deserves far more attention than it has received to date.

Weaver's argument against the riskiness of principled action is that firms take risks elsewhere--why not in the political arena? In part, of course, the answer is that business rarely treats public policy investments as economic decisions. Weaver argues that they should--to do otherwise is suicidal. My own experience reinforces his. For example, in the Superfund fight, firms were facing annual tax increases in the tens of millions of dollars annually. Superfund itself was a program that would do little more than massively expand pork-barrel waste throughout the nation. Business was heavily involved--not in seeking to defeat the bill--but rather in determing which business sectors would bear the major burden. I sought funds to take on that larger fight, to mount the educational campaign that might have resulted in defeating this bill or, at least, in less wasteful and costly legislation. My calculations indicated that a number of firms in the oil and chemical industry would have profited by several million dollars had the bill been delayed even one month. The costs of an educational campaign were, of course, far less. My arguments got nowhere. Those public and government affairs officials willing to listen--mostly in the oil and chemical industry--raised the predictable counterarguments--"we've already lost that battle," "we want a Superfund bill now, things will only get worst next year," "we're working on a special deal to reduce our taxes vis-à-vis others" and so forth. There were, of course, reasons for these arguments. Many of these people had told their chief executive officers that the battle was lost--a victory might have proven embarrassing. Others had positioned themselves to claim credit for losing less than other companies--a "you should have seen the other guy" tactic. Others sincerely believed that their company was guilty of crimes against nature. Like so many Washington representatives, they viewed their job as akin to the task of a F. Lee Bailey--get your client off the hook if you can, but plea bargain at the earliest possible opportunity and for God's sake don't have any sympathy for him. This reflects a serious problem that Weaver only touches upon--the ignorance of many within the world of public affairs about the nature of capitalism and its moral underpinnings. Ignorance and personal distaste make it hard for most public affairs types to mount an effective defense of their company. My experience strongly supports

Weaver's criticisms in this area.

But here, he should have pointed out that a firm need not commit itself fully to a principled stand; it need not place all its eggs in one basket. A corporation could continue to seek tactical accommodation on an issue while working to wage the long-term fight. That two-tiered approach is often used to deal with production and marketing policies; for instance, a firm may do the best it can with an older plant, yet be working to replace it with a more productive facility when circumstances allow.

'Toward Capitalism'

Weaver's last section reviews his findings and presents his recommendations. Weaver is optimistic about the future of free market capitalism. He believes that current trends will require corporations to turn away from seeking political favors. "In an environment of competitive markets and unprincipled media politics," he argues, "the corporation's efforts to get entitlements and go along doesn't make any sense." As the United States has become more competitive and politics less dependable, market entrepreneurship becomes attractive again. The weakening ability of large firms to secure subsidies resulting from growth in "participatory democracy" (here, Weaver is referring to the opening up of American political process to a wide range of interest groups, many opposed to business preferences) is also cited as further grounds for optimism. The changes Weaver addresses are real; it is less clear whether they consistently enhance the prospects for a less-politicized economy.

Weaver's evidence for increased U.S. competitiveness is not totally convincing. He argues that since World War II, the United States has become less unionized, less regulated, more open to foreign competition, and more willing to discipline inefficient corporate managers. Here, Weaver draws a highly selective picture. As Henrik Houthaker noted over a decade ago at an American Enterprise Institute discussion on the course of deregulation, while we have deregulated by the foot, we have regulated by the yard. Important, but nonetheless minor, postwar reductions in transportation, financial, and telecommunication regulation have been dwarfed by major expansions of government regulation in the health, safety, and environmental fields during this same period. The U.S. record in free trade gives even less ground for comfort. When there was no effective world competition, U.S. politicians tolerated free trade. However, as other nations began to recover from the war and offer effective competition, politicians have been quick to grant industry after industry special trade protection. Today, large sectors of the U.S. markets are shielded from foreign competition; we may yet see the enactment of a major new protectionist bill by this Congress. Weaver is correct that such protectionist policies merely shift the problem to some other sector of the economy--but that is true of all special-interest legislation.

On the entitlement issue, he has a more decisive case. He argues that special favors weaken rather than strengthen the firm and that, moreover, modern politics has become far too unreliable to justify any major investment in rent seeking. In this Brave New World, he argues, there are only two rules for survival: "be competitive, and press for public policies encouraging companies to stay that way."

The instability of political gains is certainly correct. As Richard Stroup of Montana's Political Economy Research Center has noted time and time again: "Businessmen have a problem. You can't buy politicians, you can only rent them." Today's political process has become a frenetic struggle to retain old special privileges while gaining new ones. Since federal programs have become pervasive, a firm may find that it gains in the tax auction while losing in the regulatory arena or--like Ford--it gains a favorable trade policy but pays via oppressive energy and environmental restrictions.

Nor in this era of pervasive government is it possible to defend every front. The individual defending the corporation against federal regulatory action may have little contact with his counterpart guarding the legislative front. Business has not yet realized the scale of the conflict in which it is engaged nor the need for an integrated offensive strategy.

Weaver, however, is a little too quick to dismiss the political process as fickle. As evidence of the "now you see it, now you don't" nature of politics, he presents the removal of the Voluntary Restraint Agreement on autos. Yet, here, he is wrong on the facts. These restraints were not lifted, although up till now other factors have made them nonbonding. As has been typical of the last seven years, the Reagan administration rhetorically advanced an aggressive free trade policy, while it was enacting an all-too-effective protectionist program. In this area, the U.S. government simple encouraged the Japanese government (more explicitly the Japanese Ministry of International Trade and Industry) to enforce the quota directly.

Weaver makes an excellent point that a firm receiving government largess benefits, at best, for only a short time:

Markets are information-exchange systems in which producers and consumers, sellers and buyers, learn about the products in question, one another's preferences, people's expectations of the future, and so on. The comparative advantage that is so vital to a company's prospects consists of knowledge; it is something a company builds out of, or with the help of, the information and learning that a competitive market provides. Entitlements, which lower a company's ability to hear what the market is saying, are therefore a source of competitive disadvantage. In the marketplace, the entitled corporation faces a riskier future than the unentitled corporation.

Weaver should note, however, that firms will be disciplined only to the extent that the competitive process is permitted to operate. The risk is that firms will seek entitlements, become weaker and then seek (and achieve) the further protection this entitlement-induced weakness necessitates. Weaver is right--this process is self-destructive. Unfortunately, history books are filled with accounts of societies that have destroyed themselves. Indeed, Mancur Olson in his 1982 book, The Decline and Fall of Nations, argues that nations are fated to such destructive downward spirals.

Nor should one be necessarily sanguine about the value of increased participation in the political process. Here, Weaver places far too much weight on the corporation as the sole villain in America's economic tragedy. Corporations have been far more passive in this game than he recognizes. Consider, for example, Superfund or the Clean Air Act, or indeed almost any of the various health, safety, or environmental regulations enacted in recent years. These massive programs provide major areas for rent seeking, and some corporations have taken advantage of them to "beggar their neighbors." Weaver mentions Du Pont's effort to shift costs upstream, and he might have noted the success of eastern coal companies (and their union allies) in biasing the Clean Air Act to encourage the use of high-sulfur coal (see, for example, Clean Air, Dirty Coal by Bruce Ackerman). Some businessmen certainly took advantage of these laws; however, it was not business but the environmentalist lobby that forced through this legislation. Business would have been happy had these laws never been introduced.

Participatory democracy, after all, means merely that the range of special interests influencing the political process has increased. It says nothing about whether such increases will enhance or further weaken the free market. Unfortunately, the most aggressive and politically adept groups that have gained power in the postwar era--the Naderites, consumerist groups, and environmentalists--generally favor government over the marketplace. While these groups are likely to oppose subsidy programs designed to help business such as the Ex-Im Bank, Synfuel, and the Chrysler bailout, their opposition reflects more a distaste for business than any sympathy or understanding of free market values.

Moreover, since many of the newer interest groups are populists, they are all too likely to push for expanded government regulation of the economy. Everyone of these new regulatory programs creates a wide range of indirect opportunities for the corporate political entrepreneur to gain at the expense of his market-oriented competitor. Such indirect business subsidies are often sided with established corporate interests against more market-oriented firms. Market-oriented firms lack the "social conscience" that firms attuned to the political process ape so convincingly. Competitive firms are seen as failing to provide adequate quality, a suitable work environment, or other social amenities. Folsom notes that James J. Hill and William K. Vanderbilt were attacked by the Left and Right for their "cutthroat" (read: lower price) policies. Nader, similarly, attacked the Corvair and the Pinot--not the Cadillac or the Lincoln. The genius of market capitalism, after all, rests in serving average consumers, not in pandering to the rich. Vanderbilt's great success in the trans-Atlantic trade was due to his introduction of third-class passage; Henry Ford I brought the automobile into every garage; Hill made it possible to farm the Great Plains; today, Sam Walton offers wholesale prices to low-income retail customers. None of these entrepreneurs have been loved by reformers.

I should note that Weaver is not totally sanguine. He defines two situations in which corporations may continue to seek our special favors even in this more competitive, politically unreliable world: where the competitive process has already been suspended and where a firm has already decided that protectionism is the only way that it can survive. These loopholes, however, are massive. How many businessmen believe that they have lost to "fair" competition? How many businessmen voluntarily risk their survival in the competitive struggle?

Weaver's final chapters are the weakest. He has not adequately defined a strategy that would allow the corporation to decide where and how to fight. His primary advice is to do it better. Business has consistently failed over the last decade to fend off foolish policies. All too often it has collaborated in these defeats. That it has not fought these battles well is obvious, but Weaver sees such failures as evidence of stupidity. He does not fully understand the institutional forces that lead business--especially large businesses--to see the world in the market-share distributionalist terms, so akin to political favoritism, nor does he fully recognize the difficulties of staffing and managing the Washington office that promotes corporate objectives. Finally, he does not give adequate weight to the antibusiness bias that permeates the political world nor to the lonely, lowly status business assumes in battles where the "best and the brightest" are on the other side.

Weaver concludes with a series of recommendations that vary from the radical (eliminate restrictions on insider trading) to the sensible (examine the profit potential of alternative public-policy outcomes and plan your strategies accordingly), to the naïve (corporate managers should oppose anti-takeover statutes), to the dangerous (industry associations should play a stronger role in determining business policy), and to the merely controversial (corporations should not back the arts). A number of these recommendations address the need to integrate a firm's public policy more effectively into the overall corporate structure. That need is critical and Weaver might have emphasized those recommendations even more.

Although he might have offered more detailed advice, his consistent theme is the failure of corporate America to play an adequate role in defending the nation's free enterprise system. Recently, two organizations have been formed to assist in that effort: the Capital Research Center and the Institute for Educational Affairs. These organizations report on philanthropic trends, critique the corporate outreach programs of individual firms, and assist businesses in more effectively encouraging market results. The Capital Research Center recently published a summary report by Marvin H. Olasky, Patterns of Corporate Philanthropy: Public Affairs Giving and the Forbes 100, in which he critiques current corporate philanthropy practices.

Weaver does discuss the tendency of American business to hide behind "accepted causes": the arts, schools, liberal causes (see his chapter "Retreat from Responsibility"); however, he could have argued this point even more strongly, given Henry Ford II's disagreement with the Ford Foundation. Ford's resignation from the family foundation is significant. In his resignation letter, he accepted the foundation's autonomy and flexibility but found fault with its neutrality--even hostility--toward the market: "I'm just saying that the system that made the Foundation possible is very probably worth preserving." After harvest, the first act of a wise farmer is to set aside enough seed corn to ensure next year's crops. Successful American entrepreneurs might consider setting aside sufficient reserves to ensure the competitive conditions that have fostered their success. As Schumpeter warned years ago, a capitalist society must be accepted as legitimate; a continuous educational effort dedicated to that end is therefore required.

Significantly, Weaver's book addresses the critical question--how can business work to defend our market economy. Yet it does not provide a detailed plan that will encourage most corporations to change their operations. It merely posits that corporations must change. As he notes: "The time has come for the corporation to become a faithful citizen of the marketplace and a sincere advocate of capitalism." But this sounds all too much like the street evangelist crying, "Repent now, the End is near!" If Weaver is to lure America's corporate lemmings away from the cliff, he must develop his ideas more fully.

Moreover, he assumes that business can go it alone, that the only decision that business needs to make is the decision to resist government predation. That position is naïve. Corporations cannot win this battle alone. In today's world, anyone having an obvious economic stake in a policy area is seen as suspect. Drug companies have little standing in any dispute with the Food and Drug Administration; oil and chemical company research is rejected when questions of human health arise; automobile companies are seen as profiting from killing off their customers. If capitalism is to be effectively marketed, I believe, market-oriented businessmen must develop creative new arrangements with its ideological friends in the free market community. Just as a firm seeks three-party endorsements to market its products, it will need such independent supporters to advance its policy interests. As in other conflict situations, allies will be vital in the war for economic freedom.

Still, we cannot expect one book to do everything. Weaver has written only the first chapter in what must become extensive corporate reeducation literature. He has raised the central question--how can business defend its interests?--It should concern everyone thoughtful about economic freedom. While others will continue this work, the business community should itself respond to his attack and initiate the self-examination necessary for current practices to be reformed. Capitalism is too valuable to be endangered by the continuation of suicidal corporate practices.