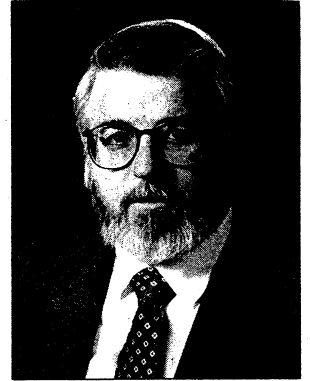


From The President...

# ARE CORPORATIONS SUICIDAL?



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 cited the loss of political and social support for capitalism that he believed would likely accompany the emergence of the modern corporation, including the emergence of an intellectual class that would prove inherently hostile to its survival.

History bears out Schumpeter's pessimism. It seems that 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 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 the continuance of the old regime and use political means to that end. Since politicians naturally respond to the visible present rather than the promised future, politics generally supports yesterday against tomorrow or today. The 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—strong restraints on government, commitment by significant groups of intellectual and moral leaders to decentralization and free markets, a vigorous and independent business sector, rapid technological change—have permitted the dynamism which is necessary (but of course not sufficient) for a free society.

Somewhat surprisingly, corporations have abetted the enemies of capitalism. In his book *The Suicidal Corpora-*

*tion*, Paul Weaver challenged the business community to play a more active role in the defense of the marketplace. Academics and free market ideologues are critical to this fight, but they lack the resources to mount a full-scale battle. And free market intellectuals will always be a minority—most intellectuals benefit in the short term, at least, by the expansion of the state.

Weaver's central and most controversial point was that the major problems faced by business today result from its own suicidal behavior. He argued that business has acted against its own best interests and fostered an anti-corporate climate. A prime example of this can be found in corporate giving trends. The work of the Capital Research Center shows that corporate charity is bestowed primarily on groups hostile to the free market system. It is simply incredible that so many corporations are willing to finance organizations that seek their destruction.

Business needs strategic allies if it is to take on some of these very difficult battles. This is the conclusion of Menlo Smith, Chairman of the Sunmark Capital Corporation. He makes a powerful case that business should do more to support those that defend a free society, rather than funding its adversaries. Indeed, he would suggest that corporate officers are so bound to protect shareholder investments. A recent article of his is excerpted on the facing page.

Corporations will not 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 FDA; oil and chemical company research is rejected in the environmental arena; automobile companies are discredited in the debate over highway safety.

If capitalism is to be effectively defended, market-oriented businessmen must develop creative new arrangements with their ideological friends in the free market community. Just as a firm seeks third 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. Capitalism is too valuable to be endangered by the continuation of suicidal corporate practices.

Fred L. Smith, Jr.

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