

Capitalists have only themselves to blame

Big Business could avoid government rules and public anger by using common sense

by Prof. Jack A. Chambless

Partly because of the rhetoric of the presidential campaign, partially because of self-inflicted wounds, this has become almost open season on capitalists.

Capitalists, like myself, have always maintained that in the calculus of government's relation to business, more government usually means less profit.

Yet, it is a paradoxical truth that increased government regulations and taxes do not come from politicians who have a disdain for profitable businesses.

Rather, businesses that are too stupid to practice pragmatic capitalism invite political forces to clean up their messes.

Out of all the economic systems ever tested by human beings, capitalism has provided the greatest benefits to the most people.

Poor people in Hong Kong, the United States and other somewhat capitalistic nations are among the richest poor people in the world.

Because of capitalism, we have endless varieties of toothpaste, cars, music and more. Because of capitalism, we have almost immediate responses to consumer demand for low-carb foods, picture-taking cell phones and portable DVD players.

Yet, the capitalists who have created all of these incredible goods and services have simultaneously proved that they suffer from a disease we could call socio-political myopia.

Socio-political myopia manifests itself in the form of a lack of awareness or foresight when it comes to social and political trends.

This disease is caused by a genetic defect that causes one to be greedy even in the face of his or her own demise. Once the disease has taken hold, it causes the victim to suffer from a dramatic decline in intelligence, intuitive ability and truth-telling skills.

The examples are endless. Socio-political myopia is the reason we have government regulation of industry, minimum-wage laws, labor unions, insider-trading cases, product-liability lawyers and much more.

How could ranchers and meat packers let government swoop in to save us from mad-cow disease?

Why let any downer cows into the meat supply when they know that panicked consumers would react hysterically?

The new regulations are going to be far costlier than any benefits that could have come from selling a few sick cows.

The recent accounting scandals are proof of how this disease can spread like a virus. CEO's all over America have MBA's from places such as Harvard and Yale.

Perhaps Harvard should offer courses entitled, "Why Americans Hate Capitalists." It is almost surreal to consider the profitability that so many executives would think they could lie, cheat and steal for so long and not get caught.

Even worse, how could they not know that a public that is already anti-big business would be sympathetic to millionaires who engage in fraud?

The Wall Street Journal recently reported that auditing costs have increased by 30 percent for American businesses. This is because they weren't smart enough to engage in the self-imposition of honest mathematics to begin with.

Corporate leaders hate the fact that union workers make so much money and that government bosses them around with respect to the pay of lower-level workers.

Yet, it was corporate leaders who should have noticed that disgruntled individual workers might someday become disgruntled groups of workers. Now many labor unions have pushed

wages to levels that are arguably not commensurate with productivity gains (see the airlines) and profits have suffered.

Minimum-wage laws impact profits for small-business owners unfavorably. Owners and managers contend that they should be allowed to freely contract with labor for a wage that equals the prevailing equilibrium pay rate. They don't get it either.

What large- and small-business owners should have been able to see is the fact that sometimes the public does not like where supply and demand intersect.

It does not matter if the prevailing wage rate is \$12 for an autoworker or \$4 for a taco maker. If people think they should get more, they will use the arm of a labor union or the arm of democracy to force wages up. If businesses would have paid wages that were perceived to be morally, rather than economically, correct unions and politicians may have stayed away.

Lawsuits concerning employee discrimination, sexual harassment and product liability are increasing in number every year.

One wonders how litigious our nation would be if

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