

# PRINCIPLES OF BUSINESS ENTERPRISES PART 8: CONCLUSION

The general plan of *The Principles of Business Enterprises* by Thorstein Veblen is to state several ideas about the way business operated in the Gilded Age, with explanation and examples, and then to examine the logical outcomes of the operation of these principles. There is no grand theory, just observation, description and discussion. Two of the principles are that businessmen operate solely to generate a profit, and that to achieve efficiency, the entire social life of working people had to be remade in the image of the ideal production worker.

Veblen identified the basis for the operation of business as the concept of property as applied to industrial production. The idea is that just as the products of the blacksmith and the cooper belonged to them to do with as they saw fit, factory owners were entitled to all of the production of the factory to do with as they saw fit. The entire system of the US is devoted to the protection of property, so naturally businessmen dictate government policies in all areas that affect their profits.

These ideas manifest themselves in our society. Businesses cooperate to insure efficient operation, and in the process help make sure they all profit. Education is focused on preparing the human capital to find a job, because the alternative is to starve. The press devotes itself to the maintenance of the illusion of democracy, while the actual practice is that federal and state legislatures and courts protect the property claims of capitalists and pave the way for increased profits from operations both in the US and around the world. Businesses charge whatever they can get away with, free from interference by government or enforcement of antitrust laws. If it creates more profit, businesses stop

producing, and stop hiring, regardless of the impact on the community.

What Veblen saw in 1904, we see today. The debts of corporate persons are easily discharged in bankruptcy, but the debts of human beings are pursued by armies of lawyers and government officials. Banks are bailed out, but homeowners are ruined. Private schools cheat people, but those people have to pay student debt till they die. No one goes to jail for wrecking the economy or any other elite crime, but heaven help the guy caught with a bit of pot.

This is all the logical outcome of an understanding of the idea of property. Locke said that when artisans mixed their labor with physical things, they were entitled to own the finished product. In exactly the same way, Veblen says, the factory owner is said to be entitled to own the goods produced by the factory. But Veblen is quite clear that Locke's theory doesn't explain why this should be, because the industrial age requires most people to work in a coordinated system and a supporting social structure; and the amount produced in this system is orders of magnitude larger than any individual artisan could produce.

His line of thinking leads naturally to questions about distribution of the profits of production. Why exactly is the owner of a factory entitled to all the profits? Why exactly is the owner entitled to pay the workers as little as possible? After all, the owner of a steel mill can't produce anything without coordinating with many other manufacturers, miners, farmers, transportation companies, and an army of workers all of whom show up and work cooperatively in each of these enterprises, and a social structure that supports all of this action. The owner cannot produce anything unless society is organized for industrial production. In today's terms, app developers have nothing to do if there is no electricity or no city wired for cable. This is what Elizabeth Warren was talking about when she said

There is nobody in this country who got rich on their own. Nobody. You built a factory out there – good for you. But I want to be clear. You moved your goods to market on roads the rest of us paid for. You hired workers the rest of us paid to educate. You were safe in your factory because of police forces and fire forces that the rest of us paid for. You didn't have to worry that marauding bands would come and seize everything at your factory... Now look. You built a factory and it turned into something terrific or a great idea – God bless! Keep a hunk of it. But part of the underlying social contract is you take a hunk of that and pay forward for the next kid who comes along.

Neither Warren nor Veblen pushes forward into talking about ownership of property. But that isn't true of everyone. One of the things that confounds the defenders of the neoliberal consensus of pundits and mainstream economists is the apparent willingness of younger voters to consider socialism as a logical alternative to unregulated capitalism. Most explanations are based on the experience of the young with neoliberal capitalism. Here is Anis Shivani via Salon:

But millennials, in the most positive turn of events since the economic collapse, intuitively understand better. Circumstances not of their choosing have forced them to think outside the capitalist paradigm, which reduces human beings to figures of sales and productivity, and to consider if in their immediate lives, and in the organization of larger collectivities, there might not be more cooperative, nonviolent, mutually beneficial arrangements with better measures of human happiness than GDP growth or other statistics that benefit the financial

class...

...

The idea is to move beyond money, interpreted in particular ways by capitalism, as the sole means of determining what is valued in human activity. Just because the means of production can be owned collectively does not mean—and indeed should not mean—that the state should be the owner.

Well, maybe. Cities own water systems and the pipes and sewage systems that provide us with water and sewage disposal. No one really believes it would be good to let the private sector suck profits out of us for something as important to staying alive as water. Why shouldn't cities own other necessary and useful things, like electrical and cable lines? When you think about the willingness of private businesses to squeeze more money out of us in their relentless pursuit of profits at any cost, it's easy to see why public ownership of specific companies might be a good idea.

Locke and his adherents, including the Founding Fathers, claimed that Locke's idea of property rights was a Natural Law, a Natural Right. It was designed by the Almighty to direct humans along the path of righteousness. Today we don't think like that. Veblen called Locke's theory metaphysical, by which I think he meant philosophical as opposed to practical. Many of us demand certainty about such things and find it in bibles of one kind or another, including Locke, but many of us are more open to other ways of thinking. Veblen has a much more worldly manner, and I think he had a strong touch of the American philosophy of pragmatism, the school exemplified by John Dewey.

I don't think I fully understand this book, not just because the language is sometimes difficult, but because I don't think I understand the tone correctly. For example, he seems dismissive of socialism, but accepting of

the trade union movement, and of the attitude of the workers whose acceptance of unbridled property rights was weakening. He notes several times that businessmen with their archaic natural law ideas control the nature of social life for workers, and exercise outsize influence on government, and their utter amorality. He mentions the bad effects each of these has on the community. Some books are like that; you have to read several works by the author and scholarly commentary to understand them fully.

Nevertheless, I plan to soldier on to the next book, *Security, Territory and Population*, a group of lectures by Michel Foucault. I've already read some of his works, including *Discipline and Punish* and *The Birth of Biopolitics*, so I at least have a running start.