

have walked myself into my best thoughts; and I know of no thought so burdensome that one cannot walk away from it.

He must have said this to his friend J. L. A. Kolderup-Rosenvinge, a law professor, who refers to his "everlasting encomium on walking, which you have elevated to a veritable system, the culmination of which is that one can *walk* away from everything." Kierkegaard did not walk to get somewhere, nor, like Thoreau did he "saunter" to observe. But "it all depends on having a fixed point from which to set out." When, in another letter to Kolderup-Rosenvinge, he speaks of walking as "an emblem of spiritual activity," one can see in about as simple a manner as it is possible to see Kierkegaard a man who spent his life walking away from (rejecting) people, historical developments, ideas, his own fullest self-understanding, and yet proceeded from a sure vision of what life should be like and always returned to it, day after day, until he collapsed in the street.

Reviewed by RALPH HARPER

The Market Society

In Defense of the Corporation, by Robert Hessen, *Stanford, Calif.: Hoover Institution Press, 1979. xviii + 134 pp. \$7.95.*

IN *Taming the Giant Corporation* (1976), Ralph Nader held Big Business exploits consumers, employees, shareholders, and the environment. He maintained that the giant corporation is practically above competition and above lax state chartering laws to a degree that it can do pretty much as it pleases.

The Nader answer: federal chartering for all corporations whose annual sales exceed \$250 million or which have more than 10,000 employees, stripping corporate officers of much of their authority to make decisions, and breaking up any corporation whose

market share is greater than twelve percent.

In one sense, Robert Hessen's new book, *In Defense of the Corporation*, constitutes a sharp rebuttal to the Nader scheme of things. But it is a lot more than that. In this era when four-fifths of what is said on economic issues is either an implied or open assault on free enterprise, the Hessen book constitutes a ringing defense of capitalism, a modern-day version of Adam Smith's *Wealth of Nations* (1776), the book that launched the free market system in the first place.

Dr. Hessen, a research fellow at Stanford University's Hoover Institution, vigorously defends the right of corporations to exist and function freely. He accordingly finds the Nader premises and proposals with little legal, economic, or moral grounds.

For example, Mr. Nader likens corporations to "private governments." But, wonders Hessen, can a corporation finance its operations via taxation or the printing press? Can a corporation enlist labor by conscription or by a call for patriotism and public service? Can a corporation employ coercion to limit competition, resist a take-over bid, or reach into new markets? No, the hallmark of corporate enterprise and, indeed, the entire market system is voluntarism. Nobody twists your arm to buy, for example, a Sony color TV set, ten gallons of Shell gas, or a can of Campbell's soup—or, for that matter, to work for IBM, GM, or AT&T. In other words, Big Business is quite devoid of the usual powers of the state.

Another big Nader contention is that corporations are soulless, that they are chartered "creatures of the state," that they obtain special concessions from the state like limited liability (apart from protectionism), that therefore they are subservient to the state, and the state should crack the whip over them.

Hessen thinks otherwise. A state corporate charter, he says, is more of a registration than state permission and privileges. It is analogous to a birth certificate or a marriage license, and nobody argues that a marriage is a creature of the state.

Again, corporations are not faceless monoliths, he reminds us, but organizations of

people—shareholders and employees, in the main. People are individuals, and corporate individuals have the standard individual rights of freedom of association and freedom of contract. Corporations are therefore specific forms of voluntary associations for particular market purposes such as making steel or providing banking services.

As for limited liability, Hessen answers that this again is but an aspect of freedom of contract. Corporate creditors are well aware that the shareholder is not fair game beyond his original equity in their claims against a bankrupt corporation.

So the Hessen analysis of what market critics call "Corporate America" and "business giantism" is lively, lucid, reasoned, and worthy of the thoughtful reader's study and reflection.

If it lacks any one compelling argument, it is this—the principle of consumer sovereignty, the principle that helps explain why Big Business is not a threat to the consumer but a boon, if bigness produces economies of scale, as it usually does. (If it doesn't, competition soon cuts Big Business down to size. Witness the demise of such giants as W. T. Grant, American Ice, American Molasses, American Woolen, American Locomotive, Ford's Edsel, Dupont's Corfam, etc.)

Consumer sovereignty explains the error when Big Business is bracketed with Big Labor and Big Government by its critics. John Kenneth Galbraith, for example, does so in his theory of "countervailing powers," justifying the need for Big Government to keep the other two Big's in line.

But Big Business is already kept in line, not by aggressive antitrust and other regulatory excesses, but by the sovereign consumer who has a life-and-death power over it—the power of the purse, the power to vote thumbs up or thumbs down on any business, big or little. As Ludwig von Mises explained in *Human Action* (1966):

The direction of all economic affairs is in the market society a task of the entrepreneurs. Theirs is the control of production. They are at the helm and steer

the ship. A superficial observer would believe that they are supreme. But they are not. They are bound to obey unconditionally the captain's orders. The captain is the consumer. Neither the entrepreneurs nor the farmers nor the capitalists determine what has to be produced. The consumers do that. If a businessman does not strictly obey the orders of the public as they are conveyed to him by the structure of market prices, he suffers losses, he goes bankrupt, and is thus removed from his eminent position at the helm. Other men who did better in satisfying the demand of the consumers replace him.

Reviewed by WILLIAM H. PETERSON

The Fundamental Datum

A Public Philosophy Reader, by Richard J. Bishirjian, *New Rochelle, N.Y.: Arlington House, 1978. 336 pp. \$9.95.*

THIS BOOK is infinitely more useful and valuable than anthologies normally are. Richard J. Bishirjian has written an incisive introductory section on "the nature of public philosophy," and in subsequent sections he has included selections from distinguished commentators to illuminate the character and importance of that illusive thing called the public philosophy.

Every society, consciously or not, has a public philosophy; that is, every society has a "way of life." It has a conception of what it is about; indeed, that is what makes it a society, an organic whole. This conception is made of reference points or first principles which allow a people to have a sense of identity, and hence a sense of meaning, purpose, and direction. Without a conception of a public philosophy, a society disintegrates, for it has no center that will hold. Thus, the public philosophy of a people is the fundamental datum about a society.