

IN DEFENCE OF COMPANIES



ROBERT BURRAGE

There are a lot of people (including one or two libertarians) who have a strong dislike of companies, which I think is unjustifiable both on moral and practical grounds. I will try to explain here as briefly and as clearly as I can why I think they are wrong.

To defend companies on moral grounds I will need to say what I am choosing my moral basis to be. I here claim any act to be immoral if it violates one or more of the principles of the Libertarian Alliance, which are as follows:

- The right of all persons to life, liberty and justly acquired property;
- The voluntary exchange of all goods and services;
- Each individual's liberty to pursue his or her chosen lifestyle and to promote it by peaceful persuasion, but not to impose it forcibly on anyone else;
- Elimination of coercive intervention by the state, the foremost violator of liberty.

I also claim here that any act that does not violate these principles is moral. Here I leave myself open to attack, especially by those who regard an act to be immoral if it is carried out on an irrational basis and by those who regard an act to be immoral if it is carried out solely for the reason of profit, but I do not have much truck with either of these types of people, as I hope you do not. Having defined what my moral basis is, I will now demonstrate how companies merely by existing do not violate these principles.

NON-COERCION

Imagine an individual running his own business, and that person exchanging goods and services with other individuals. Now, our businessman might be operating for reasons that probably include one or more of the following: (1) fun, (2) profit, or (3) he likes helping people. So long as he does not violate any of the above principles I think he is behaving morally. If he sells for profit but cheats his customers, then he effectively steals from them and takes up unjustly acquired property, and thus he is behaving immorally. If he likes his business, but forces people to trade with him (say, if he is running a non-voluntary protection agency), then he is behaving immorally. If he runs a drug addict help centre and forces addicts captured in the night to abstain from taking heroin 'for their own good', then he is behaving immorally. If the business he runs is a government, and he passes laws against low wages, then he is an evil creature of the worst kind because he is using the ultimate tool of coercion: the state.

LIMITED LIABILITY

Our businessman might not feel very financially secure about what he is doing, and he might decide to get all those with whom he does business to sign a form granting him limited liability for certain types of deals that he does with them. He is still behaving morally because the people he trades with can stop trading with him if they do not like the new arrangements. The people who sign the form realise that if our friend's enterprise collapses then they may not be able to get their money back by forcing him to sell his house. The exact nature of the limited liability arrangement could vary from case to case, but if it is agreed upon by both parties then our businessman could not be acting immorally just by running a limited liability operation. A shorthand might have been layed down in laws for certain types of limited liability arrangements, such as putting the word 'Ltd' after all occurrences of the businessman's name. Or the use of the word 'Ltd' might have become a well understood convention amongst individuals and protection agencies. I am not defending limited liability law as we currently have it in the United Kingdom, just trying to show that limited liability is not itself immoral. This still leaves the problem of what happens to those who have been wronged by the business but did not agree to the limited liability arrangement, an example might be the freeholder who discovers an articulated lorry amongst the remains of what used to be his house, and I would say that since he did not consent to the limited liability of the business then the businessman is not protected by it.

HIRING, FIRING AND QUITTERS

When our businessman finds he cannot cope with the workload, then he might start trying to employ people to help him. I would argue that so long as his em-



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Director: Dr Chris R. Tame

Editorial Director: Brian Micklethwait

Webmaster: Dr Sean Gabb

FOR LIFE, LIBERTY AND PROPERTY



employees enter into contracts without being threatened or deceived, then there is nothing immoral about the arrangements. If a contract is such that it can be terminated by either party with two weeks notice under any circumstance, then this is an acceptable arrangement. The employer can dismiss an employee who has been on the books for forty years and not owe him anything more than two weeks wages. Why should he owe him any thing more than that? After all, he has been paying that person's salary for the past four decades! Similarly, an employee can leave the business with two weeks notice, irrespective of how much financial damage this might cause his employer. In both cases the employer and the employee would have to bear in mind that they would still probably have to enter into other employment contracts in their lives, and that if they want to attract contractees then they might find it profitable to maintain a 'nice' reputation. It might not be to an individual's taste to work for somebody else, or to have somebody work for them, but that I would regard as the choice of the individual concerned.

SHAREHOLDING

Next, our businessman might start to seek partners. These would put in capital in exchange for dividends, capital growth, and risk (limited or otherwise). So long as this remains an activity between consenting adults there is nothing immoral going on. I have heard recently the phrase I 'absentee shareholder', which was apparently intended to cause widespread disgust but which certainly did not do that for me. A shareholder is just somebody who has a stake in a company, the stake and risk being well defined in law. If an 'absentee shareholder' is somebody who does not interfere with the minor decisions of the company then that under a lot of circumstances seems to be a very reasonable arrangement to me. If an employee wants a share in the control of the company then that employee should risk some of his own money to buy shares, his employer should not be forced to give his employees shares, coercion aside, he probably is paying his employees much, much more than his shareholders. Shareholding is not immoral whilst it remains an activity between consenting adults in public or in private. If you do not like the ownership structure of a company, you do not have to (1) buy small bits of it, (2) work for it, or (3) do business with it. Insider dealing (selling shares, bonds, etc. with non public domain knowledge originating from inside the business) might be prevented by a clause in the company's charter, by the seller or buyer signing a statement saying that he does not have inside information, or possibly it could be a matter of convention or law. Owning and dealing in shares is not itself immoral, activities involving shares and deception, theft etc. of course are.

THE MORAL ISSUE

I hope I have shown that companies in themselves are not immoral. Their activities are only immoral if they violate any of the above principles. This is not to advocate that anybody should own one, run one, or be employed by one. Similarly, people who do work on a one-off contractual basis as individuals and not as part of a larger grouping are not thereby behaving immorally so long as they keep their contracts and do business by consent. Any other structure of interacting individuals (think of an example) is moral so long as everybody is consenting (this of course does not put governments in a good light). By consent I do not mean people necessarily getting the exact contractual arrangements that they want; I mean people being able to choose between contractual arrangements that anybody is prepared to offer them.

... AND THE PRACTICAL ISSUE

I claimed that companies can also be supported on practical grounds. By 'practical' I mean economically efficient. Contracts entered into by mutual consent often — surprise, surprise — benefit both parties. I here appear to be measuring benefit on an absolute basis, and I am, but for cases where the benefit to the individual is very much a matter of the individual's perception, who better than that individual to decide whether he should enter into that contract or not? If so many people are voluntarily working for, running and owning a particular kind of human system called a 'company', it could be because they are making a lot of money by doing so.

HIERARCHY AND STRUCTURE

I have heard a libertarian claim that because of their hierarchical structure companies are very inefficient ways of carrying out business. This libertarian believes that operations from shipbuilding to writing large computer programmes can be carried out by groups of people who take 'orders' from nobody, but who just enter into very specific short term contractual arrangements with each other. This I regard as leading to slow decision making if a large group of people were to be involved.

Companies are just a complicated contractual arrangement with lots of hidden extras and surprises added, the extras and surprises depending on the laws of which country you live in. Like any other system run by humans they can have plenty of bad communications, inefficiency, and sheer bloody-mindedness. I think that a free market for contractual arrangements provides the opportunity for the greatest efficiency, and that in most areas companies as they are generally understood (large ones and small ones) can satisfy market requirements. Any gaps that are left can be filled by individuals, collectives, cooperatives etc.. If somebody does not believe me, then they can go into the market place and prove me wrong. If they succeed, they will need no more proof than that.