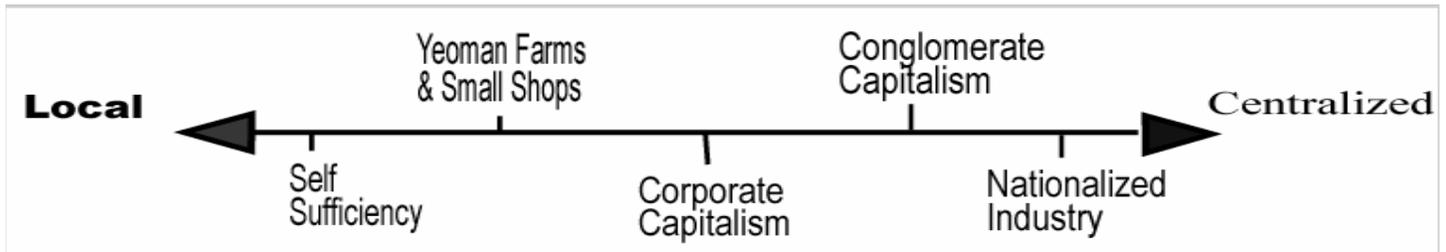


Shrink the Corporations

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Let's Work Together



Consider the diagram above. We have a continuum of freedom, power and responsibility going from individuals and families up to progressively larger organizations. Not only does freedom decrease as we go to the right, so does equality. (While “people’s republics” claim to be egalitarian, their leaders usually wind up with god-emperor powers.) According to this diagram, **freedom lovers and egalitarian leftists *should* be on the same side**. Yet, far too often, they are not.

Snookered by Pseudoscience

Freedom lovers and egalitarians used to be on the same side (read about how the Corn Laws were repealed in England). Then Karl Marx claimed that a free economy has “internal contradictions” which lead towards centralization of economic power.

According to Marx, the way to get to the far Left was to first go all the way to the Right, merging all the corporations into one mega-corporation which is owned by a dictatorial state. Somehow this should cause a reaction leading to harmonious anarchy. This is the logical equivalent to putting on a fur coat during hot weather in order to stimulate more sweat.

Not only is this idea counterintuitive, it didn’t work in practice. Attempts to implement Marx’s ideas lead to tyranny, poverty and centralization. Marx’s ideas have failed the test of science.

Marx claimed to be in favor of “scientific socialism.” But real a real scientist would call for experiments *before* implementing on a worldwide basis.

The Direct Approach

Instead of the Marxist approach of decentralization through centralization, how about a direct approach? How about moving back to more, smaller, corporations? How about more business owners? More free agents?

Can this be done without the help of more centralized government?

A Reason for Hope

According to free market economic theory, competition and shopping is a more efficient process than central planning. This should mean that big corporations should suffer many of the problems of socialism; it is only a matter of degree.

So why do big corporations survive over smaller, more nimble competitors? Some answers are on the other side.

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Artificial Bigness

Much of the bigness of modern business is artificial. That is, it is caused by government actions.

Overhead

Try starting a business. Try hiring someone. Then try staying legal. It practically takes a college major's worth of expertise to be able to comply with the tax code, licensing requirements, and employment regulations.

If your business is ten times bigger, with ten times the number of employees, you get to reuse this knowledge ten times. The cost of learning is now spread over more product.

Because of government regulations, big business is made more efficient than little business because of artificial overhead.

Tax simplification and regulatory simplification is a progressive issue!

Transaction Costs

More small businesses means more transaction between businesses. This means more contracts between businesses. If the legal system does a poor job of enforcing contracts between businesses, it make economic sense to merge businesses that trade with each other frequently.

Streamlining the legal system is a progressive issue!

Access to Capital

A major advantage big corporations have over smaller businesses is that they have access to cheap capital. Nowadays, it takes on the order of a million dollars to do the paperwork to legally take a new corporation public! The SEC has become a tool of monopoly capitalism.

If you want more competition, call for a streamlined process for floating new penny stocks. Otherwise, power lies with a few big investment banks.

The Tax Code

So your corporation made a profit. If you give it to the shareholders in the form of dividends, it gets double taxed. If you use it to buy out another corporation that has a tax loss, you can dodge both individual and corporate income taxes!

The current tax system encourages merger mania!

A better way to tax corporations would be a corporate value tax. This would save billions in paperwork costs, reduce overhead, and eliminate the artificial incentive to merge.

The contents of this flier is a very brief outline on how we can shrink corporations and government at the same time. For a detailed presentation, see www.holisticpolitics.org.