



**Chair's  
Perspective  
December 2011**

## **Corporations: Masters or Servants?**

*By Dr. Nelson Easterling*

The role corporations play in American economics and politics is changing. Unfortunately, the changes are negative and pose serious threats to our society, our security, and our overall standard of living.

The greatest threat is to the political system that has served us so well and remains the gold standard for the entire world. That political system is based on one central concept, the sovereignty of the people. Our nation's founders frequently referred to John Locke's idea that all political power resides in the people. That political power cannot be taken, it can only be offered.

In our representative democracy, enumerated powers were offered to government "in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessing of Liberty to ourselves and our Prosperity."

The tools provided to the government to accomplish these high goals were designed to allow for laws that served only the common good, and each of the enumerated goals in the preamble to the Constitution were known to further the well-being of all.

It is within this context that corporations were created. Every corporation is the creation of a government. Every corporation exists only because the people have authorized their representatives to define and delimit their existence. Corporations are, therefore, created to be the servants of the sovereign people.

Corporations have been granted a special place in our economy. They can do things sole proprietorships cannot. They exist in perpetuity. They have certain tax advantages. They have expanded ownership opportunities. All of the special advantages they have been granted are based on the claim by them and their proponents that corporations are a positive support to the market and are not a threat to our economic or political system.

But no lesser a conservative economist than Adam Smith warned us in *The Wealth of Nations* that we should be skeptical of big business. Specifically, he said: "Dealers in all branches of trade and manufacture have interests different from, and even opposite to, the interests of the public. The interests of the dealers call for profits above what they naturally would be. These excess profits, if assisted by government, are absurd taxes upon their fellow-citizens."

This warning has gone unheeded of late. And the consequences are being felt by millions of unemployed, and underemployed, Americans.

More importantly, Adam Smith gave us a similar warning about the role of excess profits and political power. Specifically, he said: “Wealth, as Mr. Hobbs says, is power. But the person who either acquires, or succeeds to great fortune, does not necessarily acquire or succeed to any political power, either civil or military. His fortune, perhaps, offers him the means of acquiring both, but the mere possession of that fortune does not necessarily convey to him either.”

Anyone who is even vaguely familiar with what is going on in Washington knows that corporations have been using their fortunes to gain political power. The amount of money being spent by business lobbyists is obscene. And the amount of business cash in the political arena is as clear a threat to our system of government as any that exists from foreign powers.

Representative democracy does not exist if the people have their inherent power usurped by entities of their own creation.

There is clearly a growing schism between reality and the supporters of corporate power. Proponents of corporate power seem to think that the market and corporations are somehow better than real people. They seem to think they are almost infallible. They talk about them as if they are being controlled by some deity that has supernatural powers and unerring instincts.

That is false!

Every corporate decision, every market decision, is made by people. Many of these people are bright. But not one of them is perfect.

People make mistakes. Some people are even malevolent in their actions. And becoming a corporate leader does not change that. Our recent corporate history provides ample evidence of this observation.

One of the greatest responsibilities of government is to control the consequences of human failures. Thomas Paine said it well in *Common Sense* when he said: “Society is produced by our wants, and government by our wickedness; the former promotes our happiness *positively* by uniting our affections, the latter *negatively* by restraining our vices.”

Government created corporations in order to promote what Paine calls society, but it is now time to exercise its duty to control the vices of the humans that control corporations and restore the essence of our economic and political systems.

Government, on its own volition, may no longer be able to control its creation. If not, the people must choose a government that can, and will, do so.

*Dr. Nelson Easterling, Chair of the Florida Center on Fiscal and Economic Policy, is a former senior staff member for the Florida Senate. He earned his doctorate in public policy and economics from Florida State University and has taught graduate courses there.*