

# America's Greatest Economist On Sabotage As Business Enterprise (was Re: novel argument against taxing rents)

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"It was then still true, in great measure, that the undertaker was the owner of the industrial equipment, and that he kept an immediate oversight of the mechanical processes as well as of the pecuniary transactions in which his enterprise was engaged; and it was also true, with relatively infrequent exceptions, that an unsophisticated productive efficiency was the prime element of business success. A further feature of that precapitalistic business situation is that business, whether handicraft or trade, was customarily managed with a view to earning a livelihood rather than with a view to profits on investment...

...The economic welfare of the community at large is best served by a facile and uninterrupted interplay of the various processes which make up the industrial system at large; but the pecuniary interests of the business men in whose hands lies the discretion in the matter are not necessarily best served by an unbroken maintenance of the industrial balance. Especially is this true as regards those greater business men whose interests are very extensive. The pecuniary operations of these latter are of large scope, and their fortunes commonly are not permanently bound up with the smooth working of a given Sub-process in the industrial system. Their fortunes are rather related to the larger conjunctures of the industrial system as a whole, the interstitial adjustments, or to conjunctures affecting large ramifications of the system. Nor is it at all uniformly to their interest to enhance the smooth working of the industrial system at large in so far as they are related to it. Gain may come to them from a given disturbance of the system whether the disturbance makes for heightened facility or for widespread hardship, very much as a speculator in grain futures may be either a bull or a bear. To the business man who aims at a differential gain arising out of interstitial adjustments or disturbances of the industrial system, it is not a material question whether his operations have an immediate furthering or hindering effect upon the system at large. The end is pecuniary gain, the means is

disturbance of the industrial system, – except so far as the gain is sought by the old–fashioned method of permanent investment in some one industrial or commercial plant, a case which is for the present left on one side as not bearing on the point immediately in hand. The point immediately in question is the part which the business man plays in what are here called the interstitial adjustments of the industrial system; and so far as touches his transactions in this field it is, by and large, a matter of indifference to him whether his traffic affects the system advantageously or disastrously. His gains (or losses) are related to the magnitude of the disturbances that take place, rather than to their bearing upon the welfare of the community.

The outcome of this management of industrial affairs through pecuniary transactions, therefore, has been to dissociate the interests of those men who exercise the discretion from the interests of the community. This is true in a peculiar degree and increasingly since the fuller development of the machine industry has brought about a close–knit and wide–reaching articulation of industrial processes, and has at the same time given rise to a class of pecuniary experts whose business is the strategic management of the interstitial relations of the system. Broadly, this class of business men, in so far as they have no ulterior strategic ends to serve, have an interest in making the disturbances of the system large and frequent, since it is in the conjunctures of change that their gain emerges. Qualifications of this proposition may be needed, and it will be necessary to return to this point presently.

It is, as a business proposition, a matter of indifference to the man of large affairs whether the disturbances which his transactions set up in the industrial system help or hinder the system at large, except in so far as he has ulterior strategic ends to serve. But most of the modern captains of industry have such ulterior ends, and of the greater ones among them this is peculiarly true. Indeed, it is this work of far–reaching business strategy that gives them full title to the designation, 'Captains of Industry.' This large business strategy is the most admirable trait of the great business men who with force and insight swing the fortunes of civilized mankind. And due qualification is accordingly to be entered in the broad statement made above. The captain's strategy is commonly directed to gaining control of some large portion of the industrial system. When such control has been achieved, it may be to his interest to make and maintain business conditions which shall facilitate the smooth and efficient working of what has come under his control, in case he continues to hold a large interest in it as an investor; for, other things equal, the gains from what has come under his hands permanently in the way of industrial plant are greater the higher and more uninterrupted its industrial efficiency.

An appreciable portion of the larger transactions in railway and 'industrial' properties, e.g., are carried out with a view to the permanent ownership of the properties by the business men into whose hands they pass. But also in a large proportion of these transactions the business men's endeavors are directed to a temporary control of the properties in order to close out at an advance or to gain some indirect advantage; that is to say, the transactions have a strategic purpose. The business man aims to gain control of a given block of industrial equipment – as, e.g., given railway lines or iron mills that are strategically important – as a basis for further transactions out of which gain is expected. In such a case his efforts are directed, not to maintaining the permanent efficiency of the industrial equipment, but to influencing the tone of the market for the time being, the apprehensions of other large operators, or the transient faith of investors. His interest in the particular block of industrial equipment is, then, altogether transient, and while it lasts it is of a factitious character.

The exigencies of this business of interstitial disturbance decide that in the common run of cases the proximate aim of the business man is to upset or block the industrial process at some one or more points. His strategy is commonly directed against other business interests and his ends are commonly accomplished by the help of some form of pecuniary coercion. This is not uniformly true, but it seems to be true in appreciably more than half of the transactions in question. In general, transactions which aim to bring a coalition of industrial plants or processes under the control of a given business man are directed to making it difficult for the plants or processes in question to be carried on in severalty by their previous owners or managers. It is commonly a struggle between rival business men, and more often than not the outcome of the struggle depends on which side can inflict or endure the greater pecuniary damage. And pecuniary damage in such a case not uncommonly involves a setback to the industrial plants concerned and a derangement, more or less extensive, of the industrial system at large.

The work of the greater modern business men, in so far as they have to do with the ordering of the scheme of industrial life, is of this strategic character. The dispositions which they make are business transactions, 'deals,' as they are called in the business jargon borrowed from gaming slang. These do not always involve coercion of the opposing interests; it is not always necessary to 'put a man in a hole' before he is willing to 'come in on' a 'deal.' It may often be that the several parties whose business interests touch one another will each see his interest in reaching an amicable and speedy arrangement; but the interval that elapses between the time when a given 'deal' is seen to be advantageous to one of the parties concerned and the time when the terms are finally arranged is commonly occupied with business manoeuvres on both or all sides,

intended to 'bring the others to terms.' In so playing for position and endeavoring to secure the largest advantage possible, the manager of such a campaign of reorganization not infrequently aims to 'freeze out' a rival or to put a rival's industrial enterprise under suspicion of insolvency and 'unsound methods,' at the same time that he 'puts up a bluff' and manages his own concern with a view to a transient effect on the opinions of the business community. Where these endeavors occur, directed to a transient derangement of a rival's business or to a transient, perhaps specious, exhibition of industrial capacity and earning power on the part of one's own concern, they are commonly detrimental to the industrial system at large; they act temporarily to lower the aggregate serviceability of the comprehensive industrial process within which their effects run, and to make the livelihood and the peace of mind of those involved in these industries more precarious than they would be in the absence of such disturbances. If one is to believe any appreciable proportion of what passes current as information on this head, in print and by word of mouth, business men whose work is not simply routine constantly give some attention to manoeuvring of this kind and to the discovery of new opportunities for putting their competitors at a disadvantage. This seems to apply in a peculiar degree, if not chiefly, to those classes of business men whose operations have to do with railways and the class of securities called 'industrials.' Taking the industrial process as a whole, it is safe to say that at no time is it free from derangements of this character in any of the main branches of modern industry. This chronic state of perturbation is incident to the management of industry by business methods and is unavoidable under existing conditions. So soon as the machine industry had developed to large proportions, it became unavoidable, in the nature of the case, that the business men in whose hands lies the conduct of affairs should play at cross-purposes and endeavor to derange industry. But chronic perturbation is so much a matter of course and prevails with so rare interruptions, that, being the normal state of affairs, it does not attract particular notice." — Thorstein Veblen (1904). *The Theory of Business Enterprise*, Chapter 3.

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v s a Whether strength of body or of mind, or wisdom, or  
i m p virtue, are found in proportion to the power or wealth  
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n e . slaves in the hearing of their masters, but highly  
@ r c m unbecoming to reasonable and free men in search of  
d o the truth. — Rousseau

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