

Words Poorly Used #140 — Corporatism

In its worst misuse, “corporatism” is given as a synonym for capitalism. Corporatism is made of fictions, while capitalism is a natural economic occurrence. Corporatism is the case where statism is used to control purely natural market activities. When well-meaning people complain about the excesses of capitalism, they are usually resenting the dodging of responsibility, legislatively by the state-licensed corporation or illegally by the marauder.

In free markets, where individual actors make economic choices, interchange will be optimized — both parties will approach satisfaction with the transaction because that was their intent on entering the engagement. One or both parties may be dissatisfied, to some degree, with some outcomes. This is a critical point. The partners in the transaction may realize that dissatisfaction is part of the risk of free exchange, or a partner may feel that she needs help from some authority, some corporate protection from the state. The alternative may be that an aggrieved party will violate laws to seek adjustment. When this type of crime is organized we have another form of corporatism — Might makes right.

The capitalist, however, underwrites risk. She understands that her best interests are served by the risk management that is typical of her field of endeavor. The finest example of risk management is in maintaining cordial, voluntary exchange.

— Kilgore Forelle