Journal of Economic Issues ›
Volume 49, 2015 - Issue 1

Original Articles

The Business Enterprise in the Age of Money Manager Capitalism

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Pages 23-46 | Published online: 21 Apr 2015

Cite this article https://doi.org/10.1080/00213624.2015.1013877

Abstract:

Thorstein Veblen's going concern theory of the business enterprise has been widely received by heterodox economists. Since Veblen's era, the capitalist social provisioning process has evolved toward money manager capitalism in a dialectical fashion. At the heart of the transformation are changes in the behavior of the business enterprise. In this paper, we make a threefold argument. First, while the going concern theory of the business enterprise is still important in the account of the economy as a continuing process of social provisioning, since a viable economy requires continuing business over historical time, more and more of the economy is being directed toward financial concerns. Second, as a consequence, the social provisioning process becomes more unstable and people's welfare becomes more vulnerable. Third, the concept of a going concern is, therefore, to be modified in order to put the business enterprise in the context of money manager capitalism.

Keywords::

going concern Hyman P. Minsky mergers and acquisitions money manager capitalism
social provisioning process Thorstein B. Veblen

JEL Classification Codes::

B52 D21 G34

Notes

[1] The model for the “new order” of business organization was the railroad corporation, in particular, that of the Pennsylvania Railroad. Founded in 1846, the PRR was, in its early history, the largest railroad in the US and the largest publicly traded corporation in the world. Over its lifespan, the PRR merged with, or had a financial interest in, eight hundred other rail companies. It might be noted that the “Pennsy” no longer exists (see Alexander 1967 for details; for the organization of U.S. railroads in general, see Chandler 1965).

[2] It is estimated that intangible assets in the United States now constitute 43 percent of the S&P 500 book value, while in France they are 77 percent (Serfati 2008, 47–48).

[3] We are greatly indebted to Mitchell Green for his interesting comments on the social provisioning process from the social network perspective.

[4] It should also be noted that individual optimization or methodological individualism in general makes no sense from the network or the social provisioning process perspective.

[5] In a recent article, F. Gregory Hayden, Alyx Dodds Garner, and Jerry Hoffman (2013), a network analysis of the Koch Industries and TD Ameritrade Holding Corporation, demonstrates the extensive connections of these two nodes, showing not only relationships with various economic units, but also political bodies. Essentially, through such an analysis, the economic, social, and political influence of individuals – in this case the Koch brothers – can be underscored.

[6] Indeed, it is quite probable that organizations, such as the Trilateral Commission and Business Roundtable, are created to manipulate and control such a network at both the national and international level (see, for example, Carroll and Sapinski 2010, for a network analysis of these organizations and the major individuals who figure prominently in the development and operation of these structures).

[7] In closing his book, Chandler (1990) remarks that “[t]he rapidity with which a number of capitalintensive industries in the United States – those that have driven industrial growth – have lost market share at home and abroad since the merger and acquisition wave of the 1960s suggest that, in those American industries at least, long-term investment may have been sacrificed for short-term gain” (1990, 627) in the interest of “portfolio managers – the new ‘owners’ of American industry” (1990, 625). In a similar vein, in her magnum opus Edith Penrose (1995, xi) admits that her own theory of the firm needs modification by incorporating “much careful analysis” of “the role of financial institutions as shareholders.”

Additional information

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