

CAPITALISM AT WORK: BUSINESS, GOVERNMENT, AND ENERGY
by Robert L. Bradley, Jr., M & M Scrivener Press 2009

Reviewed by William A. Mogel*

Robert Bradley, a former employee of Enron and speechwriter for Ken Lay, has written *Capitalism at Work* (the first in a trilogy)¹ that is both a defense of free market capitalism and a critique of politically dependent companies, i.e. those that need political intervention to succeed (read Enron).² *Capitalism at Work* also builds a case that government intervention in energy markets causes market disruptions and shortages.

Bradley's book is especially timely in light of the Federal government's intervention in a number of businesses and industries. Although not commenting on the current economic crisis, Bradley concludes, "[c]apitalism did not fail. The mixed economy failed."³

The primary target of *Capitalism at Work* is what Bradley defines as "political capitalism" "business interests [which routinely] seek, obtain and use government intervention for their own advantage, at the expense of consumers, taxpayers, and/or competitors."⁴

Capitalism at Work is divided into three parts: "Heroic Capitalism", "Business Opportunity, Political Opportunism", and "Energy and Sustainability." Part I reviews the works of three economic philosophers—Adam Smith, Samuel Smiles⁵, and Ayn Rand (of whom Alan Greenspan observed, "[w]hat she did was demonstrate. . . that capitalism is not only efficient and practical, but also moral.")⁶ With regard to the trio, Bradley concludes, "[they] did much to frame what can be called *heroic capitalism*, . . . defined as "maximizing long-term profitability for the business by creating real value in society while always acting lawfully with integrity."⁷

Part II focuses on a school of economics, which Bradley calls "economic realism." Leaders of the "School" are Joseph Schumpeter, Frank Knight, Ludwig von Mises and Nobel Prize winner, Ronald Coase⁸—names unfamiliar to this reviewer. For Bradley, they are "among the great economists of all time."⁹

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1. ROBERT L. BRADLEY, JR., *CAPITALISM AT WORK: BUSINESS, GOVERNMENT, AND ENERGY* (Nicholas Capaldi ed., M&M Scrivener Press 2009).

2. In his Preface, Bradley takes a swipe at Enron:

In retrospect, Skilling and Lay suffered from extreme overconfidence, hubris, even delusion. So long as everyone *believed*, and got others to *believe*, a healthy ENE stock price would make everyone a winner Doubters were dumb and, within the walls of Enron, not considered good team players.

BRADLEY, *supra* note 1, at ix (emphasis in original).

3. *Id.* at 13.

4. *Id.* at 3.

5. Samuel Smiles (1812-1904) was a Scottish "moralist" who is considered to be the father of the self improvement movement as applied to business. *Id.* at 37.

6. *Id.* at 58.

7. *Id.* at 11.

8. Coase developed "the nature of the firm"—why workers ban together in a firm rather than operate autonomously. *Id.* at 114-115.

9. *Id.* at 97.

Presumably, this is because the four are credited with conceptualizing the meaning of “economic realism,” which “reveals capitalism to be a highly competitive environment that requires businesses [either] to improve or deteriorate.”¹⁰

Part III (Chapters seven through eleven) revisits the “perennial issue of energy pessimism versus energy optimism.”¹¹ The thesis of Part III is how “Malthusian and neo-Malthusian thinking has repeatedly led to false alarms and promiscuous calls for government energy planning.”¹²

Bradley adds the corollary that, “[p]ervasive government intervention disrupts and corrupts the market’s natural moral and economic order by encouraging gaming and corner cutting, while creating economic problems that give rise to further intervention.”¹³

In support of his thesis, Bradley begins with a look at W. S. Jevons, a Nineteenth century Englishman, who was the “first in a long line of intellectuals to proclaim a crisis in depletable-resource supply.”¹⁴ Jevons, and his son, created a “coal panic” by proclaiming there only was a “fixed supply of coal” which “will stop our progress.”

Bradley then recounts the work of several energy economists who fall either into the school of “depletionist” or optimists, i.e. those who conclude that there are abundant resources. For example, the 1951 federal commission headed by William Paley of CBS, falls in the depletionist camp.¹⁵

In contrast, Bradley praises the 1960 studies of Resources for the Future, which concluded that the “domestic energy resource base” was adequate for the forecast period (1980) and the optimistic work of M.I.T. professor M. A. Adelman, who concluded that, “the very concept of exhaustible resources ought to be discarded as wrong or irrelevant.”¹⁶

Also receiving high praise is the mid-1970’s work of Edward Mitchell a professor of business economics at the University of Michigan. Mitchell concluded:

Economists may not know much. But we do know one thing very well: how to produce shortages and surpluses. So you want to produce a shortage of any product? Simply have government fix and enforce a legal *maximum* price on the product which is less than the price that would otherwise prevail. . . . Do you want

10. *Id.* at 11.

11. *Id.* at 187.

12. *Id.* at 319.

13. *Id.* at 292.

14. *Id.* at 201.

15. The Paley Commission concluded:

The Nation’s energy problem must be viewed in its entirety and not as a loose collection of independent pieces involving different sources and forms of energy. So numerous and vital are the interrelations among all sectors of the energy field, that problems in any one sector must be dealt with always in full consideration of the side effects on all other sectors. The aim must be to achieve a constant pattern of policies and programs throughout the entire energy field.

Id. at 218. Bradley also cites the 1972 Report of the Club of Rome which predicted the exhaustion of oil and gas by the end of the 19th century. *Id.* at 234. The more recent works of Dan Yergen (The Prize, Energy Future) are classified as being part of the “depletionism” school and the painter of a “bleak outlook.”

16. *Id.* at 222.

to produce a surplus of any product? Simply have government fix and enforce a legal *minimum* price above the price that would otherwise prevail.¹⁷

Bradley concludes “*Capitalism at Work* has described how Malthusian and neo-Malthusian thinking has repeatedly led to false alarms and promiscuous calls for government energy planning. This book has advanced the thesis that complex regulation in place of simple-rules capitalism disrupts market processes and corrupts business incentives.”¹⁸

Bradley’s thesis is provocative, but obviously contrary to those who press for governmental intervention to aid underperforming or failing businesses. He cites Alfred Kahn, who observed “[o]ne interference with competition necessitates another and yet another, and an industry of ‘rugged individualists’ becomes more and more tightly enmeshed with the government to which they originally turned in hope of protecting themselves from competition.”¹⁹

However, Bradley may be on to something by providing a framework to analyze whether a business is truly profitable. *Capitalism at Work* raises fundamental questions about the meaning of competition. The book’s appeal may be more to economists than energy lawyers, but given Bradley’s documentation, a wider audience might be served by reading *Capitalism at Work*.

17. *Id.* at 266.

18. *Id.* at 319.

19. *Id.* at 167-68.