

ABSOLUTES.....!

LEARNING THE FREE MARKET LESSONS ABOUT BAILOUTS

By Tom DeWeese

My first reaction, when I saw the article, was of utter horror. It was entitled, "Obama Imposes Pay Cap on Executives." Obama intends to dictate salary caps to American executives of private companies. We should all be very frightened of a government that seeks such power. It's pure communism. The only result of such a situation can be that corporate executives and CEOs become mere employees with no incentives to build the business and increase profits. When that happens, there is no business.

In a free market, the CEO is free to take advantage of earned profits and pay himself accordingly – assuming the board of directors go along – presumably they too are profiting. All is well. But in a free market there is also the very real risk that the company can fail. Most, in fact, do fail. It's a rare company that succeeds and actually makes a substantial profit.

In a free market, businesses do not exist to serve the common good – they exist to produce goods and services in order to create a profit. Society is served because there are products to buy and jobs created. But when a business loses site of that fact, acting more like a government agency living off taxpayer money, they are a business no more.

Taxpayer money is not produced voluntarily – it is usurped from unwilling participants at the threat of jail. It is not profit. Companies who get on the gravy train of such money have no incentive to create a profit. As a result, there is no quality or variety of products. Who cares? Who is watching? No need? These are the very reasons communism has failed and will never work.

And that is the reason why I actually agree with Barack Obama's actions in this particular case – to a very specific point. CEOs can't have it both ways. They can't expect to take money from taxpayers, thereby accepting government's security over market risk, and still expect to be free to put their unearned money in their pockets and call it profit. Such practice is not free enterprise. It's theft.

So, companies now taking the bailout money are, in truth, companies that should have failed. That failure more than likely is the result of bad company policies brought about under the leadership of their CEO. These companies chose to make a deal with the Devil – the government. And they did have a choice not to take the taxpayer money. They could have chosen to try to make it on their own like so many companies before them. But this was easy money – no risk, no oversight, no control – so they thought. But that is not free enterprise – that is the "power of pull" – big-brother cronyism – based on knowing the big boys in the government. Now the Devil, Barack Obama, is coming to collect his due. He owns the companies now – not the board of directors. And so he has a perfect right to set the level of compensation.

The real message here is a warning to companies – if you want to set your own rules as to how your company is run and how much of the profits you get to keep – don't take the government's poison candy.

Hats off to the Ford Motor Company, which understood this lesson and refused the hand out. They'll go it alone, take the risk and survive as a real company – not as government agency. And Ford's CEO will be free to set his price as Henry Ford did – not Barack Obama. May the rest of the looters burn in Hell.