

are most likely to maximize profits or the present value of the firm.⁸

Shareholders, i.e., the owners, appoint executives to act as their agents in legally contracting with outsiders (such as suppliers, dealers and financial institutions) and insiders (workers and managers).

Profit maximization, without any overlay of community considerations, underpins and motivates individualistic corporatism. The division between the profit interests of the company and the interests of its employees is well defined. Shareholders quarterly police the company profits. A short-term downturn in profits can be off-set, among other things, by the simple expedient of firing workers. Outsourcing work can also relieve individualistic corporations of both fixed costs and employee loyalty.

Capitalism thrives on the profit motive of innovations. Individualism emphasizes that innovation must be fostered by individual efforts, preferably by venture capital and gung-ho new entrants. Individualists prize the entrepreneurial flair and relish technological or business novelty for its own sake. Even managers in established corporations, knowing that the impermanence of their jobs may let them get away from the consequences of their mistakes, are eager to re-engineer, experiment and seek business adventure. Ultimately, the shareholders must see value resulting from the process of creative destruction.

Individualistic capitalists derive psychic benefits from this kind of mind-set. Individualists would trust their own judgement, rather than that of bureaucrats, to second-guess the market. Consequently, the ideal government role is limited to investing soundly in education and infrastructure. A competitive struggle among firms is preferable to run-ins with politically motivated regulations and restrictions on business.

⁸Oliver Hart, "An Economist's Perspective on the Theory of the Firm", *Columbia Law Review*, November 1989 (89): 1757-74.