THE *JOURNAL OF INSTITUTIONAL ECONOMICS*
SPECIAL ISSUE TO COMMEMORATE THE 100TH ANNIVERSARY OF
FRANK H. KNIGHT'S *RISK*, *UNCERTAINTY*, *AND PROFIT* (1921)

Abstract Proposal, May 28, 2020

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"Financialization and the Firm: How Bailouts and the Tax Code May Create Corporatism in the USA"

In this research we build-upon Knight's observation that an entrepreneur's "capacity by perception and inference" for negotiating subjective uncertainty while executing plans for the creation of consumer demand is the source of (firm) profits. Political entanglement and rent-seeking are methods to reduce uncertainty (Dellisanti and Wagner 2018). We address Hodgson's (2019) taxonomical question as to what defines the firm by stating that it is the legal entity which can access the capital markets, and is eligible for novel coronavirus federal bailouts. We illustrate, using capital theory and stages of production as a heuristic to visualize the firm, how incentives through the tax code and bailouts can create larger firms than would exist absent these institutional arrangements. Larger firms then result in more in-firm political transfers as opposed to more efficient market ("free enterprise") transactions economy-wide. Finally we define financialization per Lindsey and Teles (2017) and hypothesize that the recent political reactions to the pandemic can lead towards corporatism where the state is determining what is essential and what is not. In response we propose a basic income to *replace* (not as a supplement to existing activist) political discretionary power.