The Organization of Production in a Capitalist Economy

Production is organized around what we call Firms. Firms come in many types.

1. Individual or Sole Proprietorship
   This is a business owned by one person.

2. Partnership
   This is a legal agreement between individuals.

   This legal agreement determines who owns what.

   There can be equal or unequal partners. The partners own the business. The partnership disintegrates with the passing of any partner.

3. Corporation (sometimes called For Profit, Private, or Public)

   A legal creation of the State. Each state charters corporations. A charter is a legal document.

4. Not for Profit Firm

   The title suggests the owners don’t care whether they make any money or not. This is not true. The best way to think about this is as a club. Some examples- Salvation Army, Red Cross, United Way. These do not have an owner. They are owned by a private collection of individuals. Another example are Unions such as the United Auto Workers and the United Mine Workers. There is no well defined ownership.
5. Government Firm

Example- U.S. Post Office. These are entities of State or Federal
governments. The S.C. State Parks are another example. They are producing
something.

Let’s talk about the corporation.

A Public Corporation can be bought and sold in the public domain.

A Private Corporation is owned by somebody. It is privately held.

How are corporations organized?

There are 3 parts:
1. Managers
2. Board of Directors
3. Stockholders- there are different types of these.

How does a corporation come to be? A story will help illuminate.

The Wall Street Journal

The last section of the Journal lists all the shares of different companies
which can be bought and sold and routinely are.

There are 12 columns. Reading this looks overwhelming simply because
there are so many companies on a page and all the abbreviations. It is
actually simple.