
Capitalistic Society In The Movie The Barbarians At The Gate

The Barbarians at the Gate is a movie that illustrates the Leveraged Buy Out (LBO) of a tobacco company, RJR Nabisco. The movie centers on F Ross Johnson the CEO of RJR Nabisco who planned to buy out the rest of the company from its shareholders. Then a bidding war began as Henry Kravis and George Roberts, the pioneers of the LBO, and other companies wanted also to be part of the buyout. For our analysis I would like to give you a brief description of Ross Johnson profile.

Ross Johnson started as a seller of newspaper when he was a child and achieved to become the CEO of RJR Nabisco. He is the owner of a great and huge house, he always smokes his expensive cigars as well as he has his own planes. He is the man who decides how the money of others-investors- will be distributed. Mr Ross Johnson commands the biggest tobacco company and tries to make profits for his stockholders as well as himself. He lives in a capitalistic society, so he generates profits by reinvestment of profits. As a player of the capitalist system the CEO of Nabisco, a risk taking businessman, decided to fund a research for a new type of cigarettes -namely Premier -, a research that was not successful. Simultaneously, the shareholders of Nabisco were upset about the low price of the stock and started to press him. After this failure and due to the fact that company's stock had a decrease he announced to his board that he wants to buy the company.

The idea to buyout the company firstly suggested by Henry Kravis to Ross Johnson, when the latest refused his proposal and he claimed that he is unwilling to fire people (when somebody does LBO have to decrease the number of employees) and he cannot live with this fallout. However, when he realized that his last chance to increase the stock had gone due to the failure of the new cigarettes, he decided to buyout the company himself. A key element in capitalism is that shareholders make money from money, not from selling their labor. The agents who manage investors' and shareholders' funds feel a lot of pressure in order to make and return profits to shareholders. Thus, is not surprising that the ethical dimension of business decisions may sometimes be an afterthought. This can be confirmed by the decisions of Nabisco's CEO, Ross Johnson. He knew that it is his moral responsibility not to buyout the company and fire so many people who have been working at the company for too many years, but he decided to sacrifice them instead of sacrifice his luxury living. His greed and self-interest did not let him to accept his failure and lose his welfare.

The theory of Adam Smith, the invisible hand, suggests that individuals' self-interested actions

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lead to unintended social benefits. Adam Smith also mentioned that the governments must have only a limited role in markets. In the case of RJR Nabisco we can say that the invisible hand caused more damages instead of a fair and balanced society. Ross Johnson based on his actions and promotion of his self-interest finally lost his job and his luxury living while simultaneously many people lost their jobs too. A free market is said that gives you back what you deserve. In that sense Ross Johnson is a man who have been working almost his life and his business strategies made Nabisco a wealthy company. In that sense, Johnson does not deserve to lose everything in one night because he did a wrong prediction. Similarly, it is not fair for the employees to lose their jobs due to the fact that a grid CEO failed to protect them. Government not only should have an active role but also have a moral responsibility to protect the employees in such circumstances and not let free the power of the market to decide individual's fate.

Inequality is another element of a capitalistic society. Capitalism rewards those who are innovative, risk-lovers and can predict where the market will go. If these people investigate a product or service that the market will support then they will be rewarded. Similarly, Henry Kravis was the pioneer of LBO, an innovative service that made him very rich. But, what happens with people who are not so gifted? We could say that capitalism promotes inequality as less gifted individuals is harder to survive in such a society. This results in imbalance between gifted individuals and less gifted, in other words rich and poor people.

All in all, I believe that capitalism has resulted in a high standard of living. More and more people who leave in a capitalistic society have the opportunity to consume a wide variety of products in high quality and an affordable price. However, we should consider at the same time the negative effects. People tend to be more selfish and sacrifice ethics and values in order to increase their welfare and survive in a capitalistic society. At the same time society turns to inequality between poor and rich and finite resources are consumed from the powerful. In my point of view, I believe that intervention from government is required in order to capitalism become a fair play.

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