



# The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems

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**Abstract:**

Since 1973 technological, political, regulatory, and economic forces have been changing the worldwide economy in a fashion comparable to the changes experienced during the nineteenth century Industrial Revolution. As in the nineteenth century, we are experiencing declining costs, increasing average (but decreasing marginal) productivity of labor, reduced growth rates of labor income, excess capacity, and the requirement for downsizing and exit. The last two decades indicate corporate internal control systems have failed to deal effectively with these changes, especially slow growth and the requirement for exit. The next several decades pose a major challenge for Western firms and political systems as these forces continue to work their way through the worldwide economy.