On corporate capitalism in America

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The United States is the capitalist nation *par excellence*. That is to say, it is not merely the case that capitalism has flourished here more vigorously than, for instance, in the nations of Western Europe. The point is, rather, that the Founding Fathers intended this nation to be capitalist and regarded it as the *only* set of economic arrangements consistent with the liberal democracy they had established. They did not use the term "capitalism," of course; but, then, neither did Adam Smith, whose *Wealth of Nations* was also published in 1776, and who spoke of "the system of natural liberty." That invidious word, "capitalism," was invented by European socialists about a half-century later—just as our other common expression, "free enterprise," was invented still later by anti-socialists who saw no good reason for permitting their enemies to appropriate the vocabulary of public discourse. But words aside, it is a fact that capitalism in this country has a historical legitimacy that it does not possess elsewhere. In other lands, the nation and its fundamental institutions antedate the capitalist era; in the United States, where liberal democracy is not merely a form of government but also a "way of life," capitalism and democracy have been organically linked.

This fact, quite simply accepted until the 1930's—accepted by both radical critics and staunch defenders of the American regime—has
been obscured in recent decades by the efforts of liberal scholars to create a respectable pedigree for the emerging "welfare state." The impetus behind this scholarship was justified, to a degree. It is true that the Founding Fathers were not dogmatic *laisser-fairists*, in a later neo-Darwinian or "libertarian" sense of the term. They were intensely suspicious of governmental power, but they never could have subscribed to the doctrine of "our enemy, the State." They believed there was room for some governmental intervention in economic affairs; and—what is less frequently remarked—they believed most firmly in the propriety of governmental intervention and regulation in the areas of public taste and public morality. But, when one has said this, one must add emphatically that there really is little doubt that the Founders were convinced that economics was the sphere of human activity where government intervention was, as a general rule, least likely to be productive, and that "the system of natural liberty" in economic affairs was the complement to our system of constitutional liberty in political and civil affairs. They surely would have agreed with Hayek that the paternalistic government favored by modern liberalism led down the "road to serfdom."

But one must also concede that both the Founding Fathers and Adam Smith would have been perplexed by the kind of capitalism we have in 1976. They could not have interpreted the domination of economic activity by large corporate bureaucracies as representing, in any sense, the working of a "system of natural liberty." Entrepreneurial capitalism, as they understood it, was mainly an individual—or at most, a family—affair. Such large organizations as might exist—joint stock companies, for example—were limited in purpose (e.g., building a canal or a railroad) and usually in duration as well. The large, publicly-owned corporation of today which strives for immortality, which is committed to no line of business but rather (like an investment banker) seeks the best return on investment, which is governed by an anonymous oligarchy—such an institution would have troubled and puzzled them, just as it troubles and puzzles us. And they would have asked themselves the same questions we have been asking ourselves for almost a century now: Who "owns" this new leviathan? Who governs it—and by what right, and according to what principles?

**The unpopular revolution**

To understand the history of corporate capitalism in America, it is important to realize in what sense it may be fairly described as
an "accidental institution." Not in the economic sense, of course. In the latter part of the last century, in all industrialized nations, the large corporation was born out of both economic necessity and economic opportunity: the necessity of large pools of capital and of a variety of technical expertise to exploit the emerging technologies, and the opportunity for economies of scale in production, marketing, and service in a rapidly-urbanizing society. It all happened so quickly that the term "corporate revolution" is not inappropriate. In 1870, the United States was a land of small family-owned business. By 1905, the large, publicly-owned corporation dominated the economic scene.

But the corporate revolution was always, during that period, an unpopular revolution. It was seen by most Americans as an accident of economic circumstance—something that happened to them rather than something they had created. They had not foreseen it; they did not understand it—in no way did it seem to "fit" into the accepted ideology of the American democracy. No other institution in American history—not even slavery—has ever been so consistently unpopular as has the large corporation with the American public. It was controversial from the outset, and it has remained controversial to this day.

This is something the current crop of corporate executives find very difficult to appreciate. Most of them reached maturity during the post-war period, 1945-1960. As it happens, this was—with the possible exception of the 1920’s—just about the only period when public opinion was, on the whole, well-disposed to the large corporation. After 15 years of depression and war, the American people wanted houses, consumer goods, and relative security of employment—all the things that the modern corporation is so good at supplying. The typical corporate executive of today, in his 50’s or 60’s, was led to think that such popular acceptance was "normal," and is therefore inclined to believe that there are novel and specific forces behind the upsurge of anti-corporate sentiment in the past decade.

As a matter of fact, he is partly right: There is something significantly new about the hostility to the large corporation in our day. But there is also something very old, something coeval with the very existence of the large corporation itself. And it is the interaction of the old hostility with the new which has put the modern corporation in the critical condition that we find it in today.

The old hostility is based on what we familiarly call "populism." This is a sentiment basic to any democracy—indispensable to its establishment but also, ironically, inimical to its survival. Populism
is the constant fear and suspicion that power and/or authority, whether in government or out, is being used to frustrate "the will of the people." It is a spirit that intimidates authority and provides the popular energy to curb and resist it. The very possibility of a democratic society—as distinct from the forms of representative government, which are its political expression—is derived from, and is constantly renewed by, the populist temper. The Constitution endows the United States with a republican form of government, in which the free and explicit consent of the people must ultimately ratify the actions of those in authority. But the populist spirit, which both antedated and survived the Constitutional Convention, made the United States a democratic nation as well as a republican one—committed to "the democratic way of life" as well as to the proprieties of constitutional government. It is precisely the strength of that commitment which has always made the American democracy somehow different from the democracies of Western Europe—a difference which every European observer has been quick to remark.

But populism is, at the same time, an eternal problem for the American democratic republic. It incarnates an antinomian impulse, a Jacobin contempt for the "mere" forms of law and order and civility. It also engenders an impulse toward a rather infantile political utopianism, on the premise that nothing is too good for "the people." Above all, it is a temper and state of mind which too easily degenerates into political paranoia, with "enemies of the people" being constantly discovered and exorcised and convulsively purged. Populist paranoia is always busy subverting the very institutions and authorities that the democratic republic laboriously creates for the purpose of orderly self-government.

In the case of the large corporation, we see a healthy populism and a feverish paranoia simultaneously being provoked by its sudden and dramatic appearance. The paranoia takes the form of an instinctive readiness to believe anything reprehensible, no matter how incredible, about the machinations of "big business." That species of journalism and scholarship which we call "muckraking" has made this kind of populist paranoia a permanent feature of American intellectual and public life. Though the businessman per se has never been a fictional hero of bourgeois society (as Stendhal observed, a merchant may be honorable but there is nothing heroic about him), it is only after the rise of "big business" that the businessman becomes the natural and predestined villain of the novel, the drama, the cinema, and, more recently, television. By now
most Americans are utterly convinced that all “big business” owes its existence to the original depredations of “robber barons”—a myth which never really was plausible, which more recent scholarship by economic historians has thoroughly discredited, but which probably forever will have a secure hold on the American political imagination. Similarly, most Americans are now quick to believe that “big business” conspires secretly but most effectively to manipulate the economic and political system—an enterprise which, in prosaic fact, corporate executives are too distracted and too unimaginative even to contemplate.

Along with this kind of paranoia, however, populist hostility toward the large corporation derives from an authentic bewilderment and concern about the place of this new institution in American life. In its concentration of assets and power—power to make economic decisions affecting the lives of tens of thousands of citizens—it seemed to create a dangerous disharmony between the economic system and the political. In the America of the 1890's, even government did not have, and did not claim, such power (except in wartime). No one was supposed to have such power—it was, indeed, a radical diffusion of power that was thought to be an essential characteristic of democratic capitalism. The rebellion of Jacksonian democracy against the Bank of the United States had been directed precisely against such an “improper” concentration of power. A comparable rebellion now took place against “big business.”

“Big business” or capitalism?

It was not, however, a rebellion against capitalism as such. On the contrary, popular hostility to the large corporation reflected the fear that this new institution was subverting capitalism as Americans then understood (and, for the most part, still understand) it. This understanding was phrased in individualistic terms. The entrepreneur was conceived of as a real person, not as a legal fiction. The “firm” was identified with such a real person (or a family of real persons) who took personal risks, reaped personal rewards, and assumed personal responsibility for his actions. One of the consequences of the victorious revolt against the Bank of the United States had been to make the chartering of corporations—legal “persons” with limited liability—under state law a routine and easy thing, the assumption being that this would lead to a proliferation of small corporations, still easily identifiable with the flesh-and-
blood entrepreneurs who founded them. The rise of "big business" frustrated such expectations.

Moreover, the large corporation not only seemed to be but actually was a significant deviation from traditional capitalism. One of the features of the large corporation—though more a consequence of its existence than its cause—was its need for, and its ability to create, "orderly markets." What businessmen disparagingly call "cutthroat competition," with its wild swings in price, its large fluctuations in employment, its unpredictable effects upon profits—all this violates the very raison d'etre of a large corporation, with its need for relative stability so that its long-range investment decisions can be rationally calculated. The modern corporation always looks to the largest and most powerful firm in the industry to establish "market leadership" in price, after which competition will concentrate on quality, service, and the introduction of new products. One should not exaggerate the degree to which the large corporation is successful in these efforts. John Kenneth Galbraith's notion that the large corporation simply manipulates its market through the power of advertising and fixes the price level with sovereign authority is a wild exaggeration. This is what all corporations try to do; it is what a few corporations, in some industries, sometimes succeed in doing. Still, there is little doubt that the idea of a "free market," in the era of large corporations, is not quite the original capitalist idea.

The populist response to the transformation of capitalism by the large corporation was, and is: "Break it up!" Anti-trust and anti-monopoly legislation was the consequence. Such legislation is still enacted and re-enacted, and anti-trust prosecutions still make headlines. But the effort is by now routine, random, and largely pointless. There may be a few lawyers left in the Justice Department or the Federal Trade Commission who sincerely believe that such laws, if stringently enforced, could restore capitalism to something like its pristine individualist form. But it is much more probable that the lawyers who staff such government agencies launch these intermittent crusades against "monopoly" and "oligopoly"—terms that are distressingly vague and inadequate when applied to the real world—because they prefer such activity to mere idleness, and because they anticipate that a successful prosecution will enhance their professional reputations. No one expects them to be effectual, whether the government wins or loses. Just how much difference, after all, would it make if AT&T were forced to spin off its Western Electric manufacturing subsidiary, or if IBM were divided into
three different computer companies? All that would be accomplished is a slight increase in the number of large corporations, with very little consequence for the shape of the economy or the society as a whole.

True, one could imagine—in the abstract—a much more radical effort to break up “big business.” But there are good reasons why, though many talk solemnly about this possibility, no one does anything about it. The costs would simply be too high. The economic costs, most obviously: an adverse effect on productivity, on capital investment, on our balance of payments, etc. But the social and political costs would be even more intolerable. Our major trade unions, having after many years succeeded in establishing collective bargaining on a national level with the large corporation, are not about to sit back and watch their power disintegrate for the sake of an ideal such as “decentralization.” And the nation’s pension funds are not about to permit the assets of the corporations in which they have invested to be dispersed, and the security of their pension payments correspondingly threatened.

One suspects that even popular opinion, receptive in principle to the diminution of “big business,” would in actuality find the process too painful to tolerate. For the plain fact is that, despite much academic agitation about the horrors of being an “organization man,” the majority of those who now work for a living, of whatever class, have learned to prefer the security, the finely-calibrated opportunities for advancement, the fringe benefits, and the paternalism of a large corporation to the presumed advantages of employment in smaller firms. It is not only corporate executives who are fearful of “cutthroat competition”; most of us, however firmly we declare our faith in capitalism and “free enterprise,” are sufficiently conservative in our instincts to wish to avoid all such capitalist rigors. Even radical professors, who in their books find large bureaucratic corporations “dehumanizing,” are notoriously reluctant to give up tenured appointments in large bureaucratic universities for riskier opportunities elsewhere.

So the populist temper and the large corporation coexist uneasily in America today, in what can only be called a marriage of convenience. There is little affection, much nagging and backbiting and whining on all sides, but it endures—“for the sake of the children,” as it were. Not too long ago, there was reason to hope that, out of the habit of coexistence, there would emerge something like a philosophy of coexistence: a mutual adaptation of the democratic-individualist-capitalist ideal and the bureaucratic-corporate reality,
sanctioned by a new revised version of the theory of democracy and capitalism—a new political and social philosophy, in short, which extended the reach of traditional views without repudiating them. But that possibility, if it was ever more than a fancy, has been effectively cancelled by the rise, over the past decade, of an anti-capitalist ethos which has completely transformed the very definition of the problem.

**The anti-liberal Left**

This ethos, in its American form, is not explicitly anti-capitalistic, and this obscures our perception and understanding of it. It has its roots in the tradition of “Progressive-reform,” a tradition which slightly antedated the corporate revolution but which was immensely stimulated by it. In contrast to populism, this was (and is) an upper-middle class tradition—an “elitist” tradition, as one would now say. Though it absorbed a great many socialist and neo-socialist and quasi-socialist ideas, it was too American—too habituated to the rhetoric of individualism, and even in some measure to its reality—to embrace easily a synoptic, collectivist vision of the future as enunciated in socialist dogmas. It was willing to contemplate “public ownership” (i.e., ownership by the political authorities) of some of the “means of production,” but on the whole it preferred to think in terms of regulating the large corporation rather than nationalizing it or breaking it up. It is fair to call it an indigenous and peculiarly American counterpart to European socialism—addressing itself to the same problems defined in much the same way, motivated by the same ideological impulse, but assuming an adversary posture toward “big business” specifically rather than toward capitalism in general.

At least, that is what “Progressive-reform” used to be. In the past decade, however, it has experienced a transmutation of ideological substance while preserving most of the traditional rhetorical wrappings. That is because it embraced, during these years, a couple of other political traditions, European in origin, so that what we still call “liberalism” in the United States is now something quite different from the liberalism of the older “Progressive-reform” impulse. It is so different, indeed, as to have created a cleavage between those who think of themselves as “old liberals”—and are now often redesignated as “neo-conservatives”—and the new liberals who are in truth men and women of “the Left,” in the European sense of that term. This is an important point, worthy of some
elaboration and clarification—especially since the new liberalism is not usually very candid about the matter.¹

The Left in Europe, whether "totalitarian" or "democratic," has consistently been anti-liberal. That is to say, it vigorously repudiates the intellectual traditions of liberalism—as expressed, say, by Locke, Montesquieu, Adam Smith, and Tocqueville—and with equal vigor rejects the key institution of liberalism: the (relatively) free market (which necessarily implies limited government). The Left emerges out of a rebellion against the "anarchy" and "vulgarity" of a civilization that is shaped by individuals engaged in market transactions. The "anarchy" to which it refers is the absence of any transcending goal or purpose which society is constrained to pursue—and which socialists, with their superior understanding of History, feel obligated to prescribe. Such a prescription, when fulfilled, will supposedly reestablish a humane "order." The "vulgarity" to which it refers is the fact that a free market responds—or tries to respond—to the appetites and preferences of common men and women, whose use of their purchasing power determines the shape of the civilization. Since common men and women are likely to have "common" preferences, tastes, and aspirations, the society they create—the "consumption society," as it is now called—will be regarded by some critics as short-sightedly "materialistic." People will seek to acquire what they want (e.g., automobiles), not why they "need" (e.g., mass transit). Socialists are persuaded that they have a superior understanding of people's true needs, and that the people will be more truly happy in a society where socialists have the authority to define those needs, officially and unequivocally.

Obviously, socialism is an "elitist" movement, and in its beginnings—with Saint-Simon and Auguste Comte—was frankly conceived of as such. Its appeal has always been to "intellectuals" (who feel dispossessed by and alienated from a society in which they are merely one species of common man) and members of the upper-middle class who, having reaped the benefits of capitalism, are now in a position to see its costs. (It must be said that these costs are not imaginary: Socialism would not have such widespread appeal if its critique of liberal capitalism were entirely without

¹It must be said, however, that even when it is candid, no one seems to pay attention. John Kenneth Galbraith has recently publicly defined himself as a "socialist," and asserts that he has been one—whether wittingly or unwittingly, it is not clear—for many years. But the media still consistently identify him as a "liberal," and he is so generally regarded. Whether this is mere habit or instinctive protection coloration—for the media are a crucial wing of the "new liberalism"—it is hard to say.
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substance.) But all social movements in the modern world must define themselves as "democratic," since democratic legitimacy is the only kind of legitimacy we recognize. So "totalitarian" socialism insists that it is a "people's democracy," in which the "will of the people" is mystically incarnated in the ruling party. "Democratic socialism," on the other hand, would like to think that it can "socialize" the economic sector while leaving the rest of society "liberal." As Robert Nozick puts it, democratic socialists want to proscribe only "capitalist transactions between consenting adults."

The trouble with the latter approach is that democratic socialists, when elected to office, discover that to collectivize economic life you have to coerce all sorts of other institutions (e.g. the trade unions, the media, the educational system) and limit individual freedom in all sorts of ways (e.g., freedom to travel, freedom to "drop out" from the world of work, freedom to choose the kind of education one prefers) if a "planned society" is to function efficiently. When "democratic socialist" governments show reluctance to take such actions, they are pushed into doing so by the "left wings" of their "movements," who feel betrayed by the distance that still exists between the reality they experience and the socialist ideal which enchants them. Something like this is now happening in all the European social-democratic parties and in a country like India.

The "new class"

The United States never really had any such movement of the Left, at least not to any significant degree. It was regarded as an "un-American" thing, as indeed it was. True, the movement of "Progressive-reform" was "elitist" both in its social composition and its social aims: It, too, was distressed by the "anarchy" and "vulgaritly" of capitalist civilization. But in the main it accepted as a fact the proposition that capitalism and liberalism were organically connected, and it proposed to itself the goal of "mitigating the evils of capitalism," rather than abolishing liberal capitalism and replacing it with "a new social order" in which a whole new set of human relationships would be established. It was an authentic reformist movement. It wanted to regulate the large corporations so that this concentration of private power could not develop into an oligarchical threat to democratic-liberal-capitalism. It was ready to interfere with the free market so that the instabilities generated by capitalism—above all, instability of employment—would be less costly in human terms. It was even willing to tamper occasionally
with the consumer's freedom of choice where there was a clear consensus that the micro-decisions of the marketplace added up to macro-consequences that were felt to be unacceptable. And it hoped to correct the "vulgarity" of capitalist civilization by educating the people so that their "preference schedules" (as economists would say) would be, in traditional terms, more elevated, more appreciative of "the finer things in life."

Ironically, it was the extraordinary increase in mass higher education after World War II that, perhaps more than anything else, infused the traditional movement for " Progressive-reform" with various impulses derived from the European Left. The earlier movement had been "elitist" in fact as well as in intention—i.e., it was sufficiently small so that, even while influential, it could hardly contemplate the possibility of actually exercising "power." Mass higher education has converted this movement into something like a mass movement proper, capable of driving a President from office (1968) and nominating its own candidate (1972). The intentions remain "elitist," of course; but the movement, under the banner of "the New Politics," now encompasses some millions of people. These are the people whom liberal capitalism had sent to college in order to help manage its affluent, highly technological, mildly paternalistic, "post-industrial" society.

This "new class" consists of scientists, lawyers, city planners, social workers, educators, criminologists, sociologists, public health doctors, etc.—a substantial number of whom find their careers in the expanding public sector rather than the private. The public sector, indeed, is where they prefer to be. They are, as one says, "idealistic"—i.e., far less interested in individual financial rewards than in the corporate power of their class. Though they continue to speak the language of "Progressive-reform," in actuality they are acting upon a hidden agenda: to propel the nation from that modified version of capitalism we call "the welfare state" toward an economic system so stringently regulated in detail as to fulfill many of the traditional anti-capitalist aspirations of the Left.

The exact nature of what has been happening is obscured by the fact that this "new class" is not merely liberal but truly "libertarian" in its approach to all areas of life—except economics. It celebrates individual liberty of speech and expression and action to an unprecedented degree, so that at times it seems almost anarchistic in its conception of the good life. But this joyful individualism always stops short of the border where economics—i.e., capitalism—begins. The "new class" is surely sincere in such a contradictory
commitment to a maximum of individual freedom in a society where economic life becomes less free with every passing year. But it is instructive to note that these same people, who are irked and inflamed by the slightest non-economic restriction in the United States, are quite admiring of Maoist China and not in the least appalled by the total collectivization of life—and the total destruction of liberty—there. They see this regime as "progressive," not "reactionary." And, in this perception, they unwittingly tell us much about their deepest fantasies and the respective quality of their political imagination.

Meanwhile, the transformation of American capitalism proceeds apace. Under the guise of coping with nasty "externalities"—air pollution, water pollution, noise pollution, traffic pollution, health pollution, or what have you—more and more of the basic economic decisions are being removed from the marketplace and transferred to the "public"—i.e., political—sector, where the "new class," by virtue of its expertise and skills, is so well represented. This movement is naturally applauded by the media, which are also for the most part populated by members of this "new class" who believe—as the Left has always believed—it is government's responsibility to cure all the ills of the human condition, and who ridicule those politicians who deny the possibility (and therefore the propriety) of government doing any such ambitious thing. And, inevitably, more explicitly socialist and neo-socialist themes are beginning boldly to emerge from the protective shell of Reformist-liberal rhetoric. The need for some kind of "national economic plan" is now being discussed seriously in Congressional circles; the desirability of "public"—i.e., political—appointees to the boards of directors of the largest corporations is becoming more apparent to more politicians and journalists with every passing day; the utter "reasonableness," in principle, of price and wage controls is no longer even a matter for argument, but is subject only to circumstantial and prudential considerations. Gradually, the traditions of the Left are being absorbed into the agenda of "Progressive-reform," and the structure of American society is being radically, if discreetly, altered.

"The enemy of being is having"

One of the reasons this process is so powerful, and meets only relatively feeble resistance, is that it has a continuing source of energy within the capitalist system itself. That source is not the "inequalities" or "injustices" of capitalism, as various ideologies of
the Left insist. These may represent foci around which dissent is occasionally and skillfully mobilized. But the most striking fact about anti-capitalism is the degree to which it is not a spontaneous working-class phenomenon. Capitalism, like all economic and social systems, breeds its own peculiar discontents—but the discontents of the working class are, in and of themselves, not one of its major problems. Yes, there is class conflict in capitalism; there is always class conflict, and the very notion of a possible society without class conflict is one of socialism's most bizarre fantasies. (Indeed, it is this fantasy that is socialism's original contribution to modern political theory; the importance of class conflict itself was expounded by Aristotle and was never doubted by anyone who ever bothered to look at the real world.) But there is no case, in any country that can reasonably be called "capitalist," of such class conflict leading to a proletarian revolution. Capitalism, precisely because its aim is the satisfaction of "common" appetites and aspirations, can adequately cope with its own class conflicts, through economic growth primarily and some version of the welfare state secondarily. It can do so, however, only if it is permitted to—a permission which the anti-capitalist spirit is loathe to concede. This spirit wants to see capitalism falter and fail.

The essence of this spirit is to be found, not in The Communist Manifesto, but rather in the young Marx who wrote: "The enemy of being is having." This sums up neatly the animus which intellectuals from the beginning, and "the new class" in our own day, have felt toward the system of liberal capitalism. This system is in truth "an acquisitive society," by traditional standards. Not that men and women under capitalism are "greedier" than under feudalism or socialism or whatever. Almost all people, almost all of the time, want more than they have. But capitalism is unique among social and economic systems in being organized for the overriding purpose of giving them more than they have. And here is where it runs into trouble: Those who benefit most from capitalism—and their children, especially—experience a withering away of the acquisitive impulse. Or, to put it more accurately: They cease to think of acquiring money and begin to think of acquiring power so as to improve the "quality of life," and to give being priority over having. That is the meaning of the well-known statement by a student radical of the 1960's: "You don't know what hell is like unless you were raised in Scarsdale." Since it is the ambition of capitalism to enable everyone to live in Scarsdale or its equivalent, this challenge is far more fundamental than the orthodox Marxist one,
which says—against all the evidence—that capitalism will fail because it cannot get everyone to live in Scarsdale.

Against this new kind of attack, any version of capitalism would be vulnerable. But the version of corporate capitalism under which we live is not merely vulnerable; it is practically defenseless. It is not really hard to make a decent case, on a pragmatic level, for liberal capitalism today—especially since the anti-capitalist societies the 20th century has given birth to are, even by their own standards, monstrous abortions and “betrayals” of their originating deals. And corporate capitalism does have the great merit of being willing to provide a milieu of comfortable liberty—in universities, for example—for those who prefer being to having. But the trouble with the large corporation today is that it does not possess a clear theoretical—i.e., ideological—legitimacy within the framework of liberal capitalism itself. Consequently the gradual usurpation of managerial authority by the “new class”—mainly through the transfer of this authority to the new breed of regulatory officials (who are the very prototype of the class)—is almost irresistible.

**Bureaucratic enterprise**

So long as business was an activity carried on by real individuals who “owned” the property they managed, the politicians, the courts, and public opinion were all reasonably respectful of the capitalist proprieties. Not only was the businessman no threat to liberal democracy; he was, on the contrary, the very epitome of the bourgeois liberal-democratic ethos—the man who succeeded by diligence, enterprise, sobriety and all those other virtues that Benjamin Franklin catalogued for us, and which we loosely call “the Protestant Ethic.”

On the whole, even today, politicians and public opinion are inclined to look with some benevolence on “small business,” and no one seems to be interested in leading a crusade against it. But the professionally-managed large corporation is another matter entirely. The top executives of these enormous bureaucratic institutions are utterly sincere when they claim fealty to “free enterprise,” and they even have a point: Managing a business corporation, as distinct from a government agency, does require a substantial degree of entrepreneurial risk-taking and entrepreneurial skill. But it is also

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*I say “loosely call” because, as a Jew, I was raised to think that this was an ancient “Hebrew ethic,” and some Chinese scholars I have spoken to feel that it could appropriately be called “The Confucian ethic.”*
the case that they are as much functionaries as entrepreneurs, and rather anonymous functionaries at that. Not only don’t we know who the chairman of General Motors is; we know so little about the kind of person who holds such a position that we haven’t the faintest idea as to whether or not we want our children to grow up like him. Horatio Alger, writing in the era of pre-corporate capitalism, had no such problems. And there is something decidedly odd about a society in which a whole class of Very Important People is not automatically held up as one possible model of emulation for the young—and cannot be so held up because they are, as persons, close to invisible.

Nor is it at all clear whose interests these entrepreneur-functionaries are serving. In theory, they are elected representatives of the stockholder-“owners.” But stockholder elections are almost invariably routine affirmations of management’s will, because management will have previously secured the support of the largest stockholders; and for a long while now stockholders have essentially regarded themselves, and are regarded by management, as little more than possessors of a variable-income security. A stock certificate has become a lien against the company’s earnings and assets—a subordinated lien, in both law and fact—rather than a charter of “citizenship” within a corporate community. And though management will talk piously, when it serves its purposes, about its obligations to the stockholders, the truth is that it prefers to have as little to do with them as possible, since their immediate demands are only too likely to conflict with management’s long-term corporate plans.

It is interesting to note that when such an organization of business executives as the Committee on Economic Development drew up a kind of official declaration of the responsibilities of management a few years ago, it conceived of the professional manager as “a trustee balancing the interests of many diverse participants and constituents in the enterprise,” and then enumerated these participants and constituents: employees, customers, suppliers, stockholders, government—i.e., practically everyone. Such a declaration serves only to ratify an accomplished fact: The large corporation has ceased being a species of private property, and is now a “quasi-public” institution. But if it is a “quasi-public” institution, some novel questions may be properly addressed to it: By what right does the self-perpetuating oligarchy that constitutes “management” exercise its powers? On what principles does it do so? To these essentially political questions management can only respond with the weak economic answer that its legitimacy derives from the superior efficiency
with which it responds to signals from the free market. But such an argument from efficiency is not compelling when offered by a "quasi-public" institution. In a democratic republic such as ours, public and quasi-public institutions are not supposed simply to be efficient at responding to people's transient desires, are not supposed to be simply pandering institutions—but are rather supposed to help shape the people's wishes, and ultimately, the people's character, according to some version—accepted by the people itself—of the "public good" and "public interest." This latter task the "new class" feels itself supremely qualified to perform, leaving corporate management in the position of arguing that it is improper for this "quasi-public" institution to do more than give the people what they want—a debased version of the democratic idea which has some temporary demagogic appeal but no permanent force.

The corporation and liberal democracy

Whether for good or evil—and one can leave this for future historians to debate—the large corporation has gone "quasi-public," i.e., it now straddles, uncomfortably and uncertainly, both the private and public sectors of our "mixed economy." In a sense one can say that the modern large corporation stands to the bourgeois-individualist capitalism of yesteryear as the "imperial" American polity stands to the isolated republic from which it emerged: Such a development may or may not represent "progress," but there is no turning back.

The danger which this situation poses for the American democracy is not the tantalizing ambiguities inherent in such a condition—it is the genius of a pluralist democracy to convert such ambiguities into possible sources of institutional creativity and to avoid "solving" them, as a Jacobin democracy would, with one swift stroke of the sword. The danger is rather that the large corporation will be thoroughly integrated into the public sector, and lose its private character altogether. The transformation of American capitalism that this would represent—a radical departure from the quasi-bourgeois "mixed economy" to a system that could be fairly described as kind of "state capitalism"—does constitute a huge potential threat to the individual liberties Americans have traditionally enjoyed.

One need not, therefore, be an admirer of the large corporation to be concerned about its future. One might even regard its "bureaucratic-acquisitive" ethos, in contrast to the older "bourgeois-moralistic" ethos, as a sign of cultural decadence—and still be con-
cerned about its future. In our pluralistic society we frequently find ourselves defending specific concentrations of power, about which we might otherwise have the most mixed feelings, on the grounds that they contribute to a general diffusion of power, a diffusion which creates the "space" in which individual liberty can survive and prosper. This is certainly our experience vis-à-vis certain religious organizations—e.g., the Catholic Church, the Mormons—whose structure and values are, in some respects at least, at variance with our common democratic beliefs, and yet whose existence serves to preserve our democracy as a free and liberal society. The general principle of checks and balances, and of decentralized authority too, is as crucial to the social and economic structures of a liberal democracy as to its political structure.

Nevertheless, it seems clear that the large corporation is not going to be able to withstand those forces pulling and pushing it into the political sector unless it confronts the reality of its predicament and adapts itself to this reality in a self-preserving way. There is bound to be disagreement as to the forms such adaptation should take, some favoring institutional changes that emphasize and clarify the corporation's "public" nature, others insisting that its "private" character must be stressed anew. Probably a mixture of both strategies would be most effective. If large corporations are to avoid having government-appointed directors on their boards, they will have to take the initiative and try to preempt that possibility by themselves appointing distinguished "outside" directors—directors from outside the business community. At the same time, if corporations are going to be able to resist the total usurpation of their decision-making powers by government, they must create a constituency—of their stockholders, above all—which will candidly intervene in the "political game" of interest-group politics, an intervention fully in accord with the principles of our democratic system.

In both cases, the first step will have to be to persuade corporate management that some such change is necessary. This will be difficult: Corporate managers are (and enjoy being) essentially economic-decision-making animals, and they are profoundly resentful of the "distractions" which "outside interference" of any kind will impose on them. After all, most chief executives have a tenure of about six years, and they all wish to establish the best possible track record, in terms of "bottom line" results, during that period. Very few are in a position to, and even fewer have an inclination to, take a long and larger view of the corporation and its institutional problems.
At the same time, the crusade against the corporations continues, with the "new class" successfully appealing to populist anxieties, seeking to run the country in the "right" way, and to reshape our civilization along lines superior to those established by the marketplace. Like all crusades, it engenders an enthusiastic paranoia about the nature of the Enemy and the deviousness of His operations. Thus, the New Yorker, which has become the liberal-chic organ of the "new class," has discovered the maleficent potential of the multi-national corporation at exactly the time when the multi-national corporation is in full retreat before the forces of nationalism everywhere. And the fact that American corporations sometimes have to bribe foreign politicians—for whom bribery is a way of life—is inflated into a rabid indictment of the personal morals of corporate executives. (That such bribery is also inherent in government-aid programs to the underdeveloped countries is, on the other hand, never taken to reflect on those—e.g., the World Bank—who institute and run such programs, and is thought to be irrelevant to the desirability or success of the program themselves.) So far, this crusade has been immensely effective. It will continue to be effective until the corporation has decided what kind of institution it is in today's world, and what kinds of reforms are a necessary precondition to a vigorous defense—not of its every action but of its very survival as a quasi-public institution as distinct from a completely politicized institution.

It is no exaggeration to say that the future of liberal democracy in America is intimately involved with these prospects for survival—the survival of an institution which liberal democracy never envisaged, whose birth and existence have been exceedingly troublesome to it, and whose legitimacy it has always found dubious. One can, if one wishes, call this a paradox. Or one can simply say that everything, including liberal democracy, is what it naturally becomes—is what it naturally evolves into—and our problem derives from a reluctance to revise yesteryear's beliefs in the light of today's realities.