cal defenders of high capitalism wholly ignored the approval they evoked. Marx, a man of notably independent instinct, behavior, and thought, was certainly not indifferent to the response of workers or above adjusting his writing and speech to enhance that response. But the strongest defense of capitalism — the most powerful social conditioning — came from those who believed deeply in the analysis, description, and prescription they offered. It was the same with those who led the attack. Social conditioning did not originate with those skilled in contrivance. It came, initially, from those who thought themselves deeply in harmony with the truth.

XIV

The Age of Organization

THE SOCIAL CONDITIONING of high capitalism was broad and deep. So was the countering response it engendered. And both continue influential to this day. The market remains to many the solvent of industrial power; the modern corporation is still thought to be led as by an invisible hand to what is socially the best. The Marxist ideas are still a specter of evil — or hope. And herein lies one of the problems of social conditioning as an instrument of power: it is accepted as the reality by those who employ it, but then, as underlying circumstances change, the conditioning does not. Since it is considered *the* reality, it conceals the new reality. So it is in the most recent great movement in the dynamics of power — the rise of organization as a source of power and the concurrent lessening in the comparative roles of personality and property. The older vision of the economic order is still avowed, and for it policy is still prescribed. Meanwhile a new order has arrived and has the modern relevance. Over this the older social conditioning spreads a deep disguise.

The rise of organization in modern times is, for those who are willing to see it, clearly visible. Its influence is felt in the economy, in the polity, and in the special and somber case of the military power; it manifests itself in a hundred forms of citizen and (as it is called) special-interest effort to win the submission of others, either directly or by way of the state. The management-controlled corporation, the trade union, the modern bureaucratic state, groups of farmers and oil producers working in close alliance with governments, trade associations, and lobbies — all are manifestations of the age of organization. All attest to a relative decline in the importance of both personality and, though in lesser measure, property as sources of power. And all signify a hugely increased reliance on social conditioning as an instrument for the enforcement of power. Property, as earlier observed, has much of its remaining importance as a source of power not in the submission it purchases directly but in the special conditioning by way of the media — television commercials, radio commercials, newspaper advertising, and the artistry of advertising agencies and public relations firms — for which it can pay.

2

The shift in the sources of power in the modern business enterprise is of the most striking clarity. The dominant personalities of high capitalism have disappeared. During the last century and into the present one, the names of the great entrepreneurs were synonymous with the American industrial scene. And the case was the same, if less dramatically so, in the other industrial countries. Now, outside the particular industry and not always therein, no one knows the name of the head of General Motors, Ford, Exxon, Du Pont, or the other large corporations. The powerful personality has been replaced by the management team; the entrepreneur has yielded to the faceless organization man. Thus the decline of personality as a source of power.

The role of property has similarly declined. In the age of high capitalism none could doubt the power originating in the ownership of capital. It was this property that accorded the right to run the business, and it was this that gave access to influence in legislatures, over Presidents and prime ministers, and with the public at large. Property as a source of industrial power is not negligible now — as ever in these matters there are no perfect cases — but it has, nonetheless, suffered a major relative decline. The thousand largest industrial enterprises in the United States, all vast organizations, currently contribute about two thirds of all private production of goods and services, and the concentration of economic activity has followed a similar course in the other industrial countries. In few of these corporations and in none of the biggest does ownership by the individual stockholder give access to authority within the firm. This has long been so; it is fifty years since the pioneering scholars Adolf A. Berle, Jr., and Gardiner C. Means concluded that in the majority of the largest two hundred corporations in the United States control had passed to the management, which is to say the managers elected the board of directors, which then, in an incestuous way, selected the management that had selected them.[1]

[1] *The Modern Corporation and Private Property* (New York: Macmillan, 1933). The shift in power was further affirmed by the studies of R. A. Gordon, among them *Business Leadership in the Large Corporation* (Washington, D.C.: Brookings Institution, 1945), and in the more general writings of James Burnham. See *The Managerial Revolution* (New York: John Day, 1941). The bureaucratization of modern economic enterprise was strongly emphasized by Joseph A. Schumpeter — "it is an inevitable complement to modern economic development" — in *Capitalism, Socialism, and Democracy*, 2nd ed. (New York: Harper and Brothers, 1947), p. 206. It is obvious that

The continuing transfer of power from owners to managers — from property to organization — has been a pervasively characteristic feature of industrial development ever since.

Two factors contributed to the decline of property in relation to management. With the passage of time, ownership holdings in the enterprise were dispersed by inheritance, including, inevitably, to some heirs eminently disqualified by disposition or intelligence to exercise the power that property conferred. And, at the same time, the industrial tasks became increasingly complex. Corporate size, sophisticated technology, and the need for specialized management and marketing skills united to exclude from decision making those whose principal qualification was the ownership of the property. Power passed beyond the intellectual reach of the nonparticipant and thus beyond his or her capacity to intervene effectively. And increasingly within the enterprise, decisions emerged not from the single competence of any one individual but from the several contributions of specialists meeting in committee or close daily association.[2]

The decline of property in relation to organization as a source of power has not been accepted easily. A certain legitimacy is still thought to be attached to property. Its importance is affirmed by quasi-religious observances; the young are still told that *ultimate* power in the modern corporation rests with the stockholder. "When, for example,

the shift from property to organization as the prime source of power in the industrial enterprise is not a discovery of recent date. For a comprehensive contemporary treatment of this subject see Edward S. Herman, *Corporate Control, Corporate Power* (A Twentieth Century Fund Study) (Cambridge: Cambridge University Press, 1981).

[2] These are matters with which I have dealt in *The New Industrial State*, 3rd. ed. (Boston: Houghton Mifflin, 1978). C. Wright Mills made the point some twenty-five years ago: "Decision-making . . . at the top [of the corporation] is slowly being replaced by the worried-over efforts of committees, who judge ideas tossed before them, usually from below the top levels." (*The Power Elite* [New York: Oxford University Press, 1956], p. 134.)

John purchased a new issue of stock from the Keim Corporation last year . . . [it gave] him a voice in the decision of 'his' firm's management when he meets with other stockholders at annual meetings."[3] University faculties and students labor under the belief that, by the exercise of its vote in stockholders' meetings, their institution can substantially affect corporate decisions. At such yearly meetings a repetitively devout obeisance is accorded to property ownership; the obligatory reference, as indicated by the Department of Commerce pamphlet quoted above, is to "your company." No important management decisions are ever altered by any of these observances.[4]

3

With the shift in the sources of power from personality and property to organization went a marked diminution in the relative effectiveness of compensatory power and, as might be expected, a very great increase in the exercise of conditioned power. This was evident, among other places, in the relationship of the industrial firm to the union, of which earlier mention has been made. The trade union, as a countervailing exercise of power in the purchase of labor, had emerged before the age of organization. We have seen that it met with a far more adamant opposition from the early entrepreneurs — in the United States from Henry Clay

[3] From "Do You Know Your Economic ABC's? Profits in the American Economy," an instructional pamphlet on economics (Washington, D.C.: United States Department of Commerce, 1965), pp. 17–18.

[4] "[S]tockholders, though still politely called 'owners,' are passive. They have the right to receive only. The condition of their being is that they do not interfere in management. Neither in law nor, as a rule, in fact do they have that capacity." Adolf A. Berle, Jr., *Power Without Property: A New Development in American Political Economy* (New York: Harcourt, Brace, 1959), p. 74.

Frick, Henry Ford, and Sewell Avery[5] — than from the organization men. The property-owning industrialist was frequently interested in power for its own sake, in subduing the workers as an act of personal will and purpose; a vice president in charge of labor relations, on the other hand, is measured in part by his ability to keep the peace. And — a not insignificant point — he is not defending his own personal property from the aggressions of the workers. The age of organization[6] has thus brought a major easing of the compensatory power once exercised over the labor force.

When it came to the exercise of the same kind of power over consumers or customers, the change with the rise of organization was rather more subtle and, in some respects, contradictory in practical effect. Here, as with the employment of workers, power consists at its greatest in getting the most submission for the least cost. Much can be had for little if the buyer's need is great and if alternatives are not available; the consumer is exploited, as is the worker in the parallel case of submission. The classic example of such exercise of power is the monopoly of some essential or much-desired product for which there is no clear substitute; there being no alternative seller, the need and power are large. Competition enters as the remedy; hence its reputation as the basic solvent of power.

Organization and associated industrial development have had a marked, even profound, effect on both competition and monopoly. A major purpose of the great industrial enterprise, the labor union, the farm organization, the organization of petroleum-exporting states, or the professional

[5] Of Carnegie become United States Steel, the Ford Motor Company, and Montgomery Ward, respectively.

[6] Along, of course, with the effect of higher wages, unemployment compensation, and Social Security, all of which have widened the gap between condign and compensatory power and lowered the level of compulsion associated with the latter.

or trade association, is to restrain or eliminate price competition — to ensure, so far as may be possible, that there is no alternative at a lower price. In the case of modern industrial enterprises, this does not require formal communication; it is sufficient that there be a common understanding that price competition, if allowed to get out of hand, will be at cost to the power of all. Even the classical tradition in economics has come generally to concede the commitment to such implicit restraint — to what is called oligopoly pricing. Thus a primary purpose of organization has been to escape the power-limiting tendencies, otherwise called the discipline, of the market, and this has been widely successful.

But opposing influences have also been at work. The affluence associated with modern industrial development has greatly diminished the pressure of any given consumer need; the expansion in the number and variety of products and services has directly increased the alternatives available to the consumer. The choice among consumer products is infinitely greater than in the last century and therewith the sources of enjoyment and ostentation. Consequently, monopoly has ceased to be the ogre that it was in the earlier days of compensatory power. Those who might be subject to its force have the possibility now of buying something else or not buying at all. A little-noticed but highly significant result is that monopoly as a social ill has ceased, in recent times, to be an important subject of agitation in the industrial lands.

The consequence of this development has been a major shift from compensatory to conditioned power. One answer to the excessive availability of alternatives is to persuade people that they are not *real* alternatives — to cultivate the belief that the product or service in question has qualities that are unique. From this comes the massive modern commitment to commercial advertising. Advertising is not, as some would suggest, a new and vital form of market competition. Rather, it seeks through conditioned power to retain some of the authority over the buyer that was earlier associated with compensatory power.

The change here is evident in the symmetrical response of consumers to the power of sellers of goods and services. When they were subject to compensatory power — to the power that required of them much for little — they established cooperatives or buying associations to exercise a compensatory power of their own in return. These groups sought to buy more for less, developed alternative sources of supply, or appealed to the government to regulate prices or otherwise dissolve the market power of the seller. The price of the product, the index of relative compensatory power, was the central concern. This is so no longer. The preoccupation of the modern consumer is now all but exclusively with the advertising of the product, with countering the exercise of conditioned power in order to learn what is true or what is deemed to be true. This is also manifest in the actions of government agencies on behalf of the consumer. Prices are best an afterthought; central to all concern is the validity of advertising claims, what passes for truth in advertising. This is the modern purpose of the consumer movement; it is the predictable response to the passage from the exercise of compensatory power to the exercise of conditioned power.

4

When the modern industrial enterprise seeks support for its purposes from the state, conditioned power is again the instrument that it invokes or that is ultimately involved.

The forthright purchase of legislators and other public officials is not unknown; however, it is now regarded as offending the finer ethical sense, and, to a considerable extent, it has also been suppressed by law. The major exercise of power by the corporation over the legislator or public official is by cultivating belief in its needs or purposes either directly or in the constituency to which he is beholden. What is called a powerful lobby is one skilled in such direct conditioning or one that can appeal effectively to sizable responsive groups and associations and through them to their political representatives.[7] No one can suppose that pecuniary resources — property — are unimportant in this connection. However, they have their importance not in direct compensatory action but, as earlier noted, in the larger social conditioning they can buy, including that which may be used on behalf of a pliable or supportive legislator or against one who is adversely inclined.

The exercise of conditioned power in the modern state — the persuasion of legislators, public officials, or their constituencies — is no slight thing. It assails the eyes and ears and is a subject of major political comment and concern. However, it is probably not as efficient as the direct purchase, or compensatory power, that was commonplace in the era of high capitalism. Also, as we have already seen, compensatory power had its inescapable nexus with property, and property, in turn, was possessed in largest amount by the industrial capitalists. Conditioned power also requires pecuniary resources to pay for the diverse forms of persuasion — television, radio, and newspaper advertising, speeches, personal blandishment — on which it relies. But even granting this need, it is more generally available than the com-

[7] Thus in the United States the power for their own purposes of war veterans, people living on Social Security, and members of the National Rifle Association.

pensatory power it replaces. Resources can be found; money can be raised. In some measure, if often very slight, conditioned power is available to all who can form an organization.

5

Not only is conditioned power more widely available in the age of organization, but that available to the modern large corporation is, in some respects at least, weaker than the conditioned power associated with the pre-eminence of capital or property in the last century.

As massive organization manifested in the great industrial enterprise has become the basic fact of modern industrial life, the social conditioning on which its power extensively depends has not, as already noted, kept pace. Instead, it has remained basically unchanged from the age of classical capitalism. Power is still held to be dissolved by the market and by competition. And it is assumed that power, whatever its intention, is always guided to socially desirable ends by the miracle of the market and the competitive struggle therein. In consequence, the social conditioning of the last century is perpetuated in circumstances of increasing implausibility in the world of great organizations.

The continuing use of the earlier conditioning is vividly evident in economic instruction. The real world is one of great interacting organizations — corporations, unions, and the state. The interaction between union wage claims and corporate prices has become the principal modern cause of inflation. But a textbook that took as its point of departure the reality of such interaction would not be acceptable for college or university use, and, significantly, it would not lend itself to the geometrical and other mathematical re-

finements that are compatible with the assumption of market competition and without which the teaching of economics is not considered wholly reputable.

The social conditioning that is sustained by this instruction does have a certain effect. Hundreds of thousands of otherwise intelligent young people have their thoughts guided innocuously away from the exercise of industrial power. We have seen that power is served in many ways and that no service is more useful than the cultivation of the belief that it does not exist. "To recognize that microeconomics must now deal with a world of pervasive oligopoly . . . would threaten some basic ideological defences of the *laissez-faire* system."[8]

But social conditioning, however deep and pervasive, cannot collide too obviously with reality. The presence and power of the modern great corporations — Exxon, General Motors, Shell, Philips — are hidden only with increasing difficulty behind the market façade. In consequence, a reference to neoclassical economics, the conditioning medium of instruction, has come to have a vaguely pejorative sound; something no longer quite real is implied. Once economic instruction is perceived not as the reality but as the guidance away from the reality, its conditioning value is, not surprisingly, impaired.

The conflict with reality becomes greater when the classical social conditioning passes out of the field of education into everyday executive expression and the public relations and advertising effort of the large industrial firm. Then qualifications disappear; the power-dissolving role of the market becomes an absolute; Exxon is held to be indistinguishable from the corner grocery or the village pharmacy in its exercise of power. As a consequence, the persuasive

[8] Thomas Balogh, *The Irrelevance of Conventional Economics* (London: Weidenfeld and Nicolson, 1982), p. 60.

effect is confined to the unduly susceptible, those capable of believing anything today, who, accordingly, will believe something else tomorrow. For yet others an important effect of the social conditioning of corporate propaganda, as significantly it is often called, is to cultivate disbelief. There must be some misuse of power when those who so obviously possess it are so at pains to deny having it. In the industrial countries it is now a minor mark of sophistication that one does not believe what one reads or hears in the public-interest advertising of the great corporation. The conditioned and compensatory power of the modern business enterprise remains considerable, but it cannot be supposed that it rivals the forthright compensatory power of the great capitalist firm in the age of high capitalism.

There is a further indication of this decline in the relation of the modern corporation to the state. In the last century, when the state was an ally, an adversary relationship between government and business would have been unthinkable. Now government and business are widely regarded as mutual enemies. The social conditioning of the modern corporate enterprise is extensively concerned with the intrusive, limiting, and otherwise malign tendencies of the state. (Only in the area of military power is there full harmony between government and its dependent corporate enterprises.) In important measure, the reason lies in the shift from compensatory to conditioned power. Compensatory power was the clear monopoly of the business firm. The legislators and public officials it purchased were not likely to show hostility to their paymasters. Conditioned power allows many more interests access to the state; some of these are hostile to the business power and thus contribute to the adversary relationship, seeming or real, between corporate enterprise and modern government.

But the state also has changed; in contrast with its role

in the last century, it is much less the instrument of those who seek its power, much more a power in its own right. Organization and conditioned power are again the operative forces. The modern state encompasses a large organization — bureaucracy — which, in turn, has made the state extensively the instrument of its own purposes.