POWER IN THE AMERICAN ECONOMY: A REVIEW AND COMMENTARY

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THE BIGNESS COMPLEX: INDUSTRY, LABOR AND GOVERNMENT IN THE AMERICAN ECONOMY. Walter Adams and James Brock. Pentheon Books, 1986. Pp. 426.
THE ASYMMETRIC SOCIETY. James S. Coleman. Syracuse University Press, 1982. Pp. 191.
MASSENPSYCHOLOGIE UND ICH-ANALYSIS. Sigmund Freud. English Translation: GROUP PSYCHOLOGY AND THE ANALYSIS OF THE EGO. From THE STANDARD EDITION OF THE COMPLETE PSYCHOLOGICAL WORKS OF SIGMUND FREUD, Vol. XVIII (1920-22), The Hogarth Press, London. Pp. 67-137.

INTRODUCTION

Power, its sources, its means, its objects, and its control are terribly neglected subjects of study in our economic society. Today, the matter of economic power is hidden from view. It is out of sight and mind, especially in the university business curriculum, where it may be buried under course titles such as business ethics and corporate social responsibility. Instead of studying power in our economy, we study economics, accounting, business law, marketing, finance, management, operations research, and more. We focus on the small colorful pieces of our business environment, and can be quite precise about them, but we miss the all-important designs in the mosaic.

The definition of power, its spelling, and its general usage have not changed since the fourteenth century. Simply, power is the ability to

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work your will on something or someone else. What has changed is the means by which power is achieved. Too often, power is still associated with the forceful waving of a sword; too little it is thought of as deriving from the structural arrangements and patterns of behavior that result from what we are taught to see (or not see) in the name of social science. Today, the means of power are justified by authorities in the classroom and then perpetuated in both substance and form by the mechanisms of our popular culture. This includes, most prominently, that vibrant cube at the center of our homes dispensing fast-moving colored dots which find their way into our nervous systems and there become our images of tomorrow. Someone or something else's will guides most of us. How does this happen and what should be done?

I will attempt to answer these questions in my review of three books written by, in order, two economists, a sociologist, and the founder of the science (as he calls it) of psychiatry. In my review of these books, I will emphasize that today power is associated with institutional size, and mainly manifests itself in the perceptions, beliefs, and patterns of thought and behavior that size helps produce. Institutions of size, the large American business corporation especially, mold our environment to suit their needs and these needs are often dehumanizing. Any attempt to check this form of power must begin by focusing on the features of our human character that allow for this state of affairs. Our institutions are, after all, us. I argue that we must come to believe this, and that in this belief we will find a new language of social interaction which will more accurately account for, inform, and control the power relationships of our day.

In the first of these books, Walter Adams and James Brock initially focus our attention on the surface of the current arrangements between big business, big labor, and big government; these arrangements, they say, form a "bigness complex." To Adams and Brock, power is vested in our large business and governmental institutions, and not in natural persons acting as such. Power, in other words, is "out there" in a world of massive hierarchies that are the primary beneficiaries of the bigness complex. The picture presented by Adams and Brock is, I believe, accurate.

Another dimension of power is provided by James Coleman, who focuses our gaze below the surface swirl of these institutional arrangements. In *The Asymmetric Society*, he exposes how our individual lives are reshaped when we interact with this complex of institutions. Our transactions with the large business institutions of today are, Coleman maintains, one-sided because these institutions have gathered for themselves information about how we act individually and in groups. Such information is power, and this power is used to guide our expectations.

These expectations are becoming less our own, and more those of the organizations that control our productive assets. Coleman's view is both broader and deeper than Adams's and Brock's. His solutions are less practical, more radical.

After my review of *The Bigness Complex* (hereafter, *Bigness*) and *The Asymmetric Society* (hereafter, *Asymmetry*), I will pause to reflect on the public policy solutions proposed in these two books. In a somewhat lengthy digression, I argue that *our social policy tools of law and economics are not constituted to provide meaningful remedies for the perceived structural problems of private-sector institutional power*. Why? Our public policy tools of law and economics are lenses through which we see and then act on the world that is "out there" beyond the confines of our own back yard. These lenses are shaped to see all economic actors—even behemoths like GM and Exxon—as individuals. The science of economics tells us we are all essentially alike, we are all "rational actors." The courts and our legal culture formalize this instruction with the notion that, yes indeed, we are or should be "reasonable." Such core beliefs as rationality in economic endeavors and reasonableness in law and other areas of life help to mask the possibility that large institutions may not be rational or reasonable in the same sense as individuals. Why? Well, for one thing, they are constructed differently. I am not GM or Exxon.

So, the path to understanding and guiding the corporate power of today is to regrind our social science lenses. *Bigness* and *Asymmetry* provide evidence that a regrinding is desirable, if not essential, to cope with power in the American economy. But how shall our lenses be reground? It is in answering this question that Sigmund Freud's *Group Psychology and The Analysis of The Ego* (hereafter, *Group Psychology*) is most pertinent. In what Pulitzer Prize winner Ernest Becker called "the single most potentially liberating tract that has ever been fashioned by man,"[1] Freud directs our attention down the ever tightening spiral of knowledge that bores to the heart of understanding economic and social power today. Precisely why and how is it, Freud asks, that groups work their collective wills on us individually? His attention is not on what is "out there," but on what is inside us all that helps explain why things are the way they are today.

Our reconstituted social policy tools must see beyond individual human action and the assumptions which justify and help explain it. We must begin to look at the forces within us that make us form groups of all kinds. Understanding group action requires different assumptions about human nature. We are, most fundamentally, Freud argues, social animals.

[1] E. Becker, The Denial of Death 132 (1973).

Freud's view of human character is much more full and complete than that handed to us by the individualism pervading the thought and language of late seventeenth and early eighteenth century writers such as John Locke and Adam Smith. Unfortunately, their image of human beings as solitary, self-determining actors still serves as the core around which we have built the elaborate models of human action that pass as "science" in our institutions of higher learning.

Finally, I argue that a new image of human beings as primarily social, rather than individual, must become central to the bodies of knowledge about how we should order and control ourselves. Then, these bodies of knowledge should be taught in the core course offerings of our high schools and universities. Otherwise, economic power and its control will remain as little understood as the universe of the pre-Copernican age, in which concerned scientists could see only themselves and their earth as the center of the universe. Our world, like theirs centuries ago, is shaped by real, unforeseen forces emanating from beyond the horizon of our vision and beliefs.

The Bigness Complex

Imagine our world as a barnyard filled with chickens, a few pigs, even a cow. As you sharpen your focus, you are unable to see many of the chickens because of the large tree trunks that hide them. As you lift your gaze you see that the tree trunks are the legs of gargantuan elephants. Then, a loud trumpeting rocks the environment; in unison the elephants blare their credo: "In the barnyard, it's everyone for themselves." "Right On!" the smaller animals nod, "Everyone for themselves."

Oversized things are impressive. Elephants, whales, battleships, jumbo jets, General Motors, and Exxon are awesome. They evoke an emotion of mingled wonder, reverence, and dread. Perhaps our language lacks the word to express exactly the emotion we feel when confronted with these enormous structures: it is a combination of fascination with their sheer size compared to ours, coupled with a lingering fear that if they ever go awry and we are in the vicinity, we have had it. We stand our distance from elephants and whales, and we can be most careful in controlling the use of battleships and jumbo jets. But how do we react to GM and Exxon? The process of creating, sustaining, and understanding these institutions is not nearly as precise as that applicable to whales or jumbo jets. But, large institutions are much more important in our lives. They act, they move things, they create and destroy. They talk to us and they talk to one another, and, like any organic being, they arrange their environment to suit themselves.

We have left the understanding of large business institutions to the economists, and the message from a generation of them has been that in the American economy bigness *per se* means that certain efficiencies accrue first to the business in question and then to us, the public. The economic beliefs about corporate size are that bigness is inevitable and, on the whole, probably desirable. For years, millions of students who graduated from our business schools have dreamed of working for our best corporations. This generally meant one of our largest: GM, Exxon, or IBM. To us (and to the world) the large modern business corporation was our very own American Kahuna: a semi-sacred sorcerer that blazed the way for us all and provided all things great and wonderful.

Why bigness? It seems so rational, we are told, even natural. Corporate size allows for a complete division of labor. Adam Smith's simple example of the production capacities of ten pin makers who produce a total of 48,000 pins a day (or 4,800 each) when their labor is divided, and one to twenty pins when they make the whole pin, has shaped our modern world. This convenient example has progressed to parable, to conventional wisdom, and finally to academic dogma and public policy. As John Kenneth Galbraith pointed out thirty years ago, the conventional wisdom receives widespread support from leaders of various sorts, then develops a literature and a mystique, and ultimately becomes more or less synonymous with sound scholarship. In this way, its position at the core of a belief system becomes almost impregnable.[2] Such has been the case with what economists call the desirable effects of increasing returns to scale. Large firm size means efficiency.

To this, Adams and Brock reply: "Not necessarily so." Their book is a frontal assault on the justifications and the logic that support the dominant economic and political fact of the late twentieth century: institutional size. How is one to question such an essential part of our social environment? Adams and Brock tell us that we should remove the glasses we have been handed by our economists, and see what is right before us. Doing so requires no new studies, no new insights, no new models. Instead, just read the *Wall Street Journal*, hear what business leaders are saying, or listen to their testimony to Congress. The evidence is there for us all to see: bigness is neither *per se* good nor necessarily efficient.

The Fact of Bigness: Big Is Big

Size is significant. Adams and Brock cite a 1979 congressional study which reveals that the largest 0.1 percent of manufacturing firms control approximately two-thirds of the total domestic assets devoted to manufacturing and the largest 0.2 percent control three-fourths. Moreover, the largest corporations are very, very large:

[2] J.K. GALBRAITH, THE AFFLUENT SOCIETY 8 (3d ed. 1976).

in 1984 General Motors employed about 750,000 people in thirty-nine countries, said it accounted to 957,000 stockholders, and had reported sales of $83.9 billion and profits of $4.5 billion.[3] "So what?" one might ask. "What's wrong with being big?" Are there not scientific reasons for corporate bigness? Not many, say the authors. Most of the reasons are based on myths.

The Myth of Bigness: Big is Beautiful

According to Adams and Brock, the myth goes about as follows: "After all, corporations became big only because they have served consumers better than their rivals, and only because no newcomers were good enough to challenge their dominance."[4] Moreover, should one of these giants become lethargic and no longer provide for society more than it takes, it will be consumed by competitors. According to the myth, finally, corporate size implies both efficiency and the necessary financial critical mass needed to foster innovation.

Adams and Brock expose the efficiency myth in three key industrial areas: automobile firms, steel firms, and conglomerates producing numerous products. In the cases of automobiles and steel, they differentiate between large plant size and large firm size. They acknowledge that there is general agreement that certain efficiencies accrue to plant size. Efficiency is achieved by specialization of labor and machinery, the mechanization of production, and the interchangeability of parts. Even so, efficiencies in plant size are overemphasized. In auto production, for example, they cite a 1978 study by Eric Toder concluding that maximum operating efficiency is exhausted in plants producing between 200,000 and 400,000 units per year. "Though large in an absolute sense," they note, "the engineers' estimates may imply that a firm with a 3 to 6 percent share of the U.S. auto production would be big enough to capture all significant economies of scale."[5]

This means that U.S. industry could support between seventeen and thirty-three producers of automobiles at recent aggregate output levels. Moreover, an analysis of the size distribution of American assembly plants reveals that the Big Three assemble more than eighty percent of their annual output in plant sizes of 300,000 units or less. The authors conclude that while the evidence supports what would today be moderate to large plant size, there is no

[3] W. ADAMS & J. BROCK, THE BIGNESS COMPLEX 66-67 (1986).
[4] *Id.* at 4.
[5] *Id.* at 38.

corresponding evidence to support today's large multi-plant firm size.

The manufacture of steel was the bedrock of our economy in the first part of this century and the myth of desirable bigness shaped this market. Nevertheless, according to Adams and Brock the evidence that bigness does not make for operating efficiency is overwhelming. They explore six conventional arguments usually advanced by the steel industry to justify firm size before confronting the industry's major recent assertion: that its root problem today is the growing volume of imported steel made by government-subsidized firms using low-wage labor. The reply, say the authors, is that U.S. International Trade Commission evidence shows that in such steel products as wire rods, bars, and light structurals, it was the intense competition of mini-mills, not imports, that was responsible for the catastrophic loss of market share by our steel giants. In other words, bigness was defeated by smallness. But myths shape our public policy in this area. Since U.S. Steel would somehow become better if it were bigger, its acquisition of Marathon Oil was sensible and desirable.

In the area of conglomerate bigness, the authors cite the studies familiar to students of this area. In his 1956 classic, *Barriers to New Competition*, Joe S. Bain concluded that in six of the twenty industries analyzed, the cost advantages of multi-plant firms were either negligible or totally absent. In another six, the advantages were perceptible but fairly small, and in the remaining eight industries no estimates could be obtained. The authors cite another study before concluding that "[a]s the weight of the available evidence confirms, conglomerate bigness seldom enhances, and more typically undermines, efficiency in production."[6]

Clearly, there has been little public policy analysis of the differences between efficient plant size and what is believed to be efficient managerial unit size. Some larger plant sizes may be efficient, but inefficiencies occur when the management structure becomes too large. Stanford Business School professor Steven C. Wheelwright sums up what appears to be the central observation: "Companies always thought, 'Our people can manage their way out of the problems size and complexity create.' But the evidence is that they can't."[7]

Well, if efficiency will not sustain the case for bigness, certainly the facts regarding innovation will. Apparently not! The authors

[6] *Id.* at 45.
[7] *Id.* at 47.

cite a now-classic study that focused on seventy inventions considered by experts to be some of the most important of the twentieth century. The results showed that independent inventors far outstripped large corporations as sources of inventions, and small firms appeared to be superior to large ones in producing innovations.[8]

Citing other studies, Adams and Brock observe that "[i]n the iron and steel, bituminous coal, petroleum, and pharmaceuticals industries, ... the biggest few firms did not do the most innovating relative to their size...."[9] They conclude by citing a 1981 study by Edwin Mansfield concluding that there is no statistically significant tendency for large corporations to conduct a disproportionately large share of R&D; on the contrary, they seem to carry out a disproportionately small share of the R&D aimed at new products and processes.

The authors' conclusion is straightforward: *the evidence does not support the common supposition that bigness fosters either efficiency or innovation.* Yet bigness is a recurring theme in our political economy that embodies a kind of cultural ideal which appeals to the consciousness of the American people. Such is the very definition of a myth.

The Politics Of Bigness

Finally, we arrive at the major point of the book. *Bigness coalesces,* it does not, in Galbraith's terms, always *countervail.* Institutional size grows, and fuses, to form an identifiable whole. The whole seen by Adams and Brock does not envision two large firms in competition or business and government in conflict. In the spotlight of popular opinion, relations between the firms within an industry and between business and government are usually portrayed as relations of competition and struggle. Like the opposing ends of a horseshoe magnet, these actors continually tug against each other—all to the benefit of the public. To Adams and Brock, however, power coalesces in the shadowy, curved connection of the horseshoe where competitors or business and government seek their common interests.[10]

Large business corporations, large labor unions, the state and federal governments, and even large business schools often dance together to the same tune. Elephants mate with elephants. In our

[8] *Id.* at 50-51.

[9] *Id.* at 52 (quotations omitted).

[10] *See generally* A.S. MILLER, THE MODERN CORPORATE STATE: PRIVATE GOVERNMENTS AND THE AMERICAN CONSTITUTION (1976).

economy today, survival favors the largest, and each generation is larger than the parents. In depicting these realities, let us begin by describing how elephants of the same breed mate. Adams and Brock cite two studies[11] which reveal that in 1984, $122 billion was spent on corporate mergers. In the next year, the figure was a record-setting $179 billion. Between 1948 and 1978, the largest two hundred industrial corporations accounted for fifty-three percent of the total assets taken over. This merger activity raised their share of all U.S. manufacturing assets from 54.3 percent in 1960 to 61.4 percent by 1976. Without these mergers, the same 200 corporations' share would have declined from 54.3 percent to 47.4 percent for those years.

In many instances, big business combines with big labor and both work their will on the federal government. Both management and labor, for example, plead for governmental protection from foreign competition. In the airline deregulation debate, moreover, both sang the same tune: deregulation will cause massive disruptions, so keep things like they are.

But the strongest case for coalescence between business institutions and government institutions is seen in the exchange of personnel between business and government. Recent reports, for example, reveal that more than two-thirds of Boeing personnel transfers involved the air force (which buys Boeing's planes) and more than eighty percent of General Dynamics transfers involved the air force and the navy (which buy its ships and missiles).[12] Specifically, in the Reagan administration, Boeing provided the assistant secretary of the navy for research systems and analysis, the deputy undersecretary for strategic theater nuclear forces, the deputy director of the Defense Department's Office of Intelligence and Space Policy, the assistant secretary of the defense for international security policy, the associate director of presidential personnel in the national security field, and the deputy head of the president's transition team for the Department of Defense. The result of this coalescence is a loss in efficiency. Adams and Brock cite a *Wall Street Journal* article (which was based on internal Pentagon documents) in concluding that although there was $600 billion spent on defense during the first three years of the Reagan administration, military combat readiness declined significantly.[13] The paradox of coalescing power in this area is that more is spent to obtain less—a form of self-imposed disarmament.

[11] W. ADAMS & J. BROCK, *supra* note 3, at 184.
[12] *Id.* at 339.
[13] *Id.* at 344.

The Consequences of Bigness

Dollar Costs. The coalescence of economic and political power means that large business corporations will not be allowed to fail as the price of mismanagement. Nowhere is this more clear than in our nuclear power industry, where mammoth cost overruns, mismanagement, and government complicity are the rule. According to Department of Energy reports cited in *Bigness*,[14] eighty-four percent of the operating nuclear plants built in the past thirteen years cost at least twice as much as initial estimates, and at least four times as much in thirty percent of the cases. State governments were persuaded to help these lumbering giants and in the process may have unwittingly joined with powerful vested interests to subvert the public good. The cost estimates are fifteen billion dollars invested in abandoned plants, twenty to forty billion dollars in plants likely to be cancelled before completion, and thirty to forty billion dollars for plants coming on-line after overruns so large that their electricity cost more than that produced by fossil-fueled plants. Who pays? All of us. And we know who for sure will *not* pay—those in the belly of the beast who make the key decisions.

The Loss of Accountability. Freedom from accountability is a significant measure of power, and large firms interact with the federal and state governments in such a fashion that accountability disappears in a puff of hot gas when we seek to identify those responsible for failure. When elephants blunder, they turn their heads around like my pet dog when he breaks wind. "Who, me?" says their bemused public expression as they stare at their behinds.

Adams and Brock state that it is of crucial importance to our understanding of the coalescence of power to realize that "firms with command over vast social resources are free to make decisions of overarching social consequence with relative immunity from social accountability or social control. . . ."[15] In the area of nuclear power/nuclear waste we see that the coalescence of big business and big government has draped a gigantic financial albatross about our collective necks. In this case, there was little or no public consultation, little or no public debate, and no accountability to speak of. Policies of immense importance to us were made in remote places, behind closed doors.

Can this state of affairs last? Louis XIV luxuriated in his palace at Versailles espousing the divine right of kings while taxing the populace for his personal excesses and his war of Spanish Succes-

[14] *Id.* at 275.
[15] *Id.* at 8.

sion, both pursued in the name of the governed. The belief structure that supported these extravagant escapades finally fell under its own weight. The differences between Louis XIV's France and modern corporate America are not so great as one might imagine at first. The main difference is one of perspective. In hindsight, the Bourbon kings appear rapacious and socially blind, but they, like our marauding elephants of today, were supported by a particular complex of beliefs that pervaded their society. I will pursue the notion of belief structures and their change, but before doing so I will finish the review of *Bigness* by focusing on the authors' solutions to the bigness complex.

Challenging the Bigness Complex

Adams and Brock emphasize that the problem of coalescing power centers is structural, not behavioral or theoretical, and that the basis for the solution lies in our past. In two chapters reviewing the ideas and reasons for the founding of our form of government, they emphasize that it was a system of privilege, created and protected by the state at the behest of special interest, that the colonists wanted to change. "Their foremost goal was to prevent [the] . . . concentration of power and the abuses that flow from it."[16]

The authors' idea of achieving decentralization of economic power is to be accomplished primarily through vigorous enforcement of the antitrust laws, along with selective federal regulation. Adams and Brock are not sanguine about antitrust enforcement as the major remedy, noting that of the almost four hundred monopolization cases filed by the federal government between 1890 and 1969, only thirty-two (or eight percent) led to divestiture or other significant structural change. There are, moreover, a host of political problems involving case selection—problems caused by the bigness complex—that have been apparent in the past. The authors ask: "Should [the Justice Department] crush colluding producers of wood screws and wax crayons, while according benign neglect to mergers involving the nation's largest petroleum firms? Should they ruthlessly attack mergers among condom companies, while encouraging joint ventures among the worlds' largest automobile firms?"[17]

Despite these shortcomings, Adams and Brock see few other alternatives. Selective federal regulation should exist in markets where there is a tendency toward natural monopoly (pipelines for

[16] *Id.* at 89.
[17] *Id.* at 207.

petroleum production), where imperfect information is provided to the market (the production of drugs), and where the market has not fairly allocated the externalities of production (industrial pollution). If markets are inherently competitive because of ease of entry (e.g., trucking), then there should be no regulation except in areas where the market has historically failed to respond adequately (e.g., safety design in heavy products like cars, trucks, and planes).

The political economy of power transcends the labels of conservative and liberal, right and left. The only safe policy is an apparently inefficient one: *decentralize to the maximum extent and centralize or regulate only where the market has failed to protect or enhance the public interest.* The authors see the call for an industrial policy—a call coming from both conservatives and liberals—as an intensification and entrenchment of the bigness complex, one organized by industry to suppress competition and protect vested interests. They argue that the success of the Japanese has been too much attributed to help from the Japanese government. The key to the Japanese miracle, they assert, has been the fact that their manufacturers had to compete in the world markets for complex industrial goods.

An Evaluation of Bigness

Bigness is an interesting book. Its strengths are that it is well written, amusing, and even lyrical in spots. For business scholars, it collects in its thirty-four pages of citations all of the major economic studies on corporate size and power. Its central thesis that economic power coalesces is supported by the evidence the authors cite. It is an important addition to the literature on our twentieth century political economy.

However, I would guess that the book's eight chapters on antitrust enforcement are too much for the reader with little interest in antitrust law and economics. And for scholars in the area, this material is too spartan—it is a basic, austere presentation of the classics. The presence of this material, though, makes the book suitable for classroom use. It would be a strong candidate for the primary text in a course on political economy if only such courses existed in number. It could also be used to reveal to students the policy consequences of antitrust law and economics and thus would be appropriate in a course on antitrust law.

Most importantly, the book accurately describes one level of the working arrangements of the bigness complex. But describing accurately and prescribing proper public policy solutions are separate matters. Since big business and government are connected in the shadows where their forces are mutually attractive, what incentive do they have to disconnect? That is, from what source will the incentive to decentralize through more vigorous antitrust enforcement come? Given the nature of the coalescing institutional power Adams and Brock describe and the history of weak antitrust enforcement they cite, I do not believe a more vigorous pursuit of the antitrust laws will be forthcoming. In short, I believe Adams and Brock underrate the significance of their own thesis.

The bigness complex is a dominating fact of our political economy. Institutional bigness has bred its own environment. In understanding the nature of this environment the second dictionary definition of "complex" becomes important. In this connotation, a complex is a connected group of (sometimes repressed) ideas that compel habitual patterns of thought, feeling, and action. These habitual patterns not only dominate the thinking and discourse of our economists and public policy commentators, but also have created some of the most significant social structures of our everyday life. I will now turn my attention to this broader impact on each of us.

The Asymmetric Society

One advantage to reading the work of sociologists is that they do not have quite so many tools to carry around as the economist. Consequently, they may travel further, but they are not quite so sure of their direction and their location. However, I think that James Coleman knows our social environment. In his book, *The Asymmetric Society*, he examines the power differences between individuals or natural persons and big institutional actors (especially the large American business corporation), and explains some of the patterns in the commercial environment of today.

The Results Of Corporate Power

Coleman makes a good case that inside the large business corporation, almost all natural persons come to be viewed as the job they do. They become a role.[18] *The role, not the person, has become the central element in thinking about the structure of social action.* The consequence of seeing natural persons as roles is that we all may move about from corporation to corporation (so long as the role does not change much), but we also become irrelevant as the unique individuals we are. Since most corporate employees are merely occupants of a role in the structure, Coleman maintains, they can be replaced or eliminated at any time. How can a giant

[18] J.S. Coleman, The Asymmetric Society 26-27 (1982).

corporation close its doors in Detroit after eighty-five years of service to the community and move South to Alabama or Mexico? It is easy if the natural persons in the work force are seen as roles or, for that matter, numbers in the economists' models.

But the impact does not stop at irrelevance. A very large portion of us, according to Coleman, have passed into a fairly meaningless existence directed by persons or events beyond our view and control. That is, a large part of the economic activity in our society today is carried out by one person working to accomplish the ends of another. Thus, an increasing number of us are spending our vital energy acting toward ends that are not natural or self-directed. As a result, a kind of artificiality permeates society. Thus, it is no wonder that a Vanna White (who almost never speaks, but who merely turns cards revealing letters on a nationally syndicated TV game show) is both a popular celebrity and a best-selling author. She, like many of us, is an automaton moving to the commands of an offstage director.

Moreover, Coleman asserts that the modern business corporation with its emphasis on hierarchy and roles is replacing the most fundamental structure of society, the family. The traits that identify the quintessential 1980s corporate role player, the yuppie, are not by any stretch of the imagination importing traditional family values into the work place. Employees in large corporations have become part of a nationwide corporate family in which the more serious undertakings or "duties" are not to natural persons but to the demands of office and role. The effects are widespread and deep.

> This personality change generated by the new social structure is ... one source of the increase in divorce, family dissolution, [and] what some have called the crisis of the family. The family is a last holdout from a social structure of a different kind. But it cannot remain a holdout if its members are so changed by the remainder of the social structure—so enticed by the irresponsibility, freedom, and choice, that they find there—that they will not accept the burdens of social organization....[19]

The Modern Corporate Actor and Law

In a rather philosophical discussion, Coleman traces the relinquishment of "rights" originating with natural persons to the state, and ultimately from the state to business corporations. He acknowledges that there may be a perceived equality of rights between individuals and corporations, but the drift of power is toward those entities which

[19] *Id.* at 131.

actually engage in the use of productive resources. So, a discussion of rights is no match for the reality of corporate power. What does it matter if I can sue corporations to vindicate some shareholder right or to redress a consumer wrong, for example, if they can structure my environment so that they pay off any judgment and trudge on relatively unaffected?

Coleman's explanation of the power asymmetry in society, I believe, is most insightful at a very abstract level. In a book that was a precursor to this one, *Power and the Structure of Society* (1974), he emphasized that the collective which uses most of the resources in our economy breeds a peculiar bias in the direction that social and economic activities take. "It means that among the variety of interests that . . . [we] have, those interests that have been successfully collected to create corporate actors are the interests that come to dominate society."[20] That is, large institutions structure our environment.

But we have social control mechanisms, don't we? Surely the law will control these institutional interests to our own individual advantage. Not so, Coleman says. The law as currently conceived and applied may not be able to solve the problems of which he writes. First, large corporate actors impose substantial risks on us all. We acknowledge this by passing laws to protect us as customers, employees, neighbors, and citizens. But while these corporate-generated risks may be the price we must pay for our modern industrial society, the control system of law is not adequate to deal with them.[21] These risks are much greater than a natural person could or would impose, and the law simply is not structured to cope.[22] How, for example, would we deal fairly with the consequences of a nuclear meltdown?

Secondly, Coleman explains, large corporations are highly differentiated and segmented. Thus, traditional legal remedies (those of the criminal law, for example) will not achieve desirable social results because the decision point (e.g., those natural persons responsible for a negligent decision) within the corporation is not only hidden from view but is not ascertainable in the first place.

The chief moral constraint on natural persons is not law, but their ability to see themselves as the recipients of their own actions. At the level of the natural actor, the Golden Rule does operate, usually. Because of the premium placed on the division of labor and on specialization within corporate actors, however, managers cannot, and

[20] J.S. Coleman, Power and the Structure of Society 49 (1974).

[21] On this point, C. Perrow, Normal Accidents (1985) is a modern classic.

[22] *See infra* notes 25-31 and accompanying text for my discussion of the images around which law and economics are structured—images that make these disciplines ill-suited to see and respond to the power asymmetries of today.

usually do not, see themselves as the recipients of their own actions. So, the values that created and propagated large business organizations—efficiency, production, profit, and survival—predominate. Thus, the risks created are not lessened by threat of law or by internal perception.

The Structure Of The Power Asymmetry

Perhaps more importantly, law more often than not enhances the status quo. Law tends to solidify power asymmetries in our society. Coleman takes the rather Holmesian view that our law grows from societal norms and that corporate actors have a large part in creating those norms. Corporations create societal norms through advertising, movies, magazines, and music. More generally, the corporate actor occupies an increasing part of a person's attention in this modern world.

Coleman elaborates on this point. In our society today, we have not only a resource asymmetry, but, more fundamentally, we have an information asymmetry. Corporations diminish individual access to resources by creating and maintaining information imbalances. This process began with the nationwide distribution of magazines, followed by the growth of radio and movies. Through advertising in these media, corporations created national markets for products. And the growth of national markets in turn created a need for a new kind of information—information at a gross level about audiences and crowds. The need for such information led to a new type of social research called market research.

Market research is a familiar subject today in business schools across this country. Studying and teaching it are seen as necessities because producers of goods and services no longer have direct contact with their individual customers. Thus, they must guess the general characteristics of the consumer—how old, how much income, what sex, how many children, and so forth. From this information producers judge the potential success of both old and new products. In the present day jargon, producers survey the market for a perceived need, define it as a market niche, and then attempt to enhance the chance for filling the niche by advertising.

In the process of using market research and then advertising to guide the conduct of large masses of people, corporations collect much more information about consumers than consumers can collect about corporations. Add to this the information provided to producers by credit bureaus, census studies, and access to mailing lists, and we have a significant one-way flow of information. This "applied social research," as Coleman calls it, came "for the first time to be part of an explicit sequence of purposive action in society."[23] That is, the gathering of information about individuals and their group behavior and the dissemination of extremely dense quantities of information for the purpose of influencing individuals signaled a totally new structural form of information processing in society. There was nothing like this in the history of Western civilization before the 1930s.

Why, I ask, don't consumers get more information—why aren't they the rational actors of the economists' model, seeking and acting on all relevant information for major purchases? Coleman's answer is simple: each person's interest in the information is so small and incidental that the costs to one consumer of obtaining the information from the producer (through letters, trips to dealers, etc.) exceed both the normal energy and the normal inclination of the average consumer. Like it or not, Coleman says, this information asymmetry shapes our consumer preferences. These include many of our norms of social conduct, including what to buy, what to eat, what to read, and what to hear. Gathering information about consumers and then using it to condition consumer wants and preferences is at once a most profound and very subtle form of power.

Others have agreed with Coleman on this point. In a recent book, *The Anatomy of Power* (1983), John Kenneth Galbraith recogniz... this new form of power, which he calls "conditioned power." Conditioned power, writes Galbraith, arises from organizations and has as its object the creation or change of beliefs. It is "persuasion, education or the social commitment to what seems natural, proper, or right [which] causes the individual to submit to the will of another or of others."[24] This power is not explicit or objective; it is subjective and implicit and those exercising it and those subject to it need not always be aware it is exerted. After a period, says Galbraith, submission to the wills of others appears natural if not inevitable because it is thought to be the product of the individual's own moral or social sense. Thus, *conditioned power breeds the creation of norms of social conduct.*

Altering the Power Asymmetries

Galbraith is short on ways of counteracting this form of conditioned power, but Coleman is not. His solution lies in the development of four ideas. First, he calls for the development of a theory of information rights in social decisions. Coleman's political theory of information rights would have two branches, one concerning information on market relations between large and small actors and the other concerning

[23] J.S. COLEMAN, *supra* note 18, at 155.
[24] J.K. GALBRAITH, THE ANATOMY OF POWER 5-6 (1983).

information rights for citizens (who are still the ultimate locus of power in our constitutional scheme and the ultimate controllers of the state). I take him to suggest that we should do something like extending the rights vis-à-vis government that individuals receive under the Freedom of Information Act to individuals vis-à-vis large business corporations.

A second idea is to bring children into the workplace and create "age balanced organizations." This would tend to minimize the estrangement between parents and children. If the elderly were also included, this would tend to produce a more wholesome work environment.

Coleman's third suggestion is to begin to develop a new form of social policy research. This is research that is not discipline-oriented but action-oriented. In short, it is research about where we want to go as a society and what societal methods and structures will get us there, followed by research on monitoring how we get where we want to go.

I believe that Coleman's fourth idea, one more fully developed in his earlier work on power, is his best. It is to examine the internal decision structures of both natural actors and corporations and to make them as similar as possible. Natural persons, he maintains, have been regarded by Western philosophers as having an acting self and a judging self. When one acts with reference to another person, the judging self monitors behavior and tends toward the judgment that the action is fair and just so long as the actor would tolerate or invite that type of action upon himself or herself. In other words, natural actors are taught that they should see and believe themselves to be the recipients of their own actions. This is an objective or standard we should build into organizations: *they should only undertake actions of which their managers would be willing recipients in their private lives.*

Summary

The two books I have been reviewing have made a number of points about the nature of power in the American economy. Our economic society is dominated by large institutional actors. Supporting this reality are layers of traditional reasons, some of which are myth-like. These institutions are not necessarily as efficient or as innovative as these traditional beliefs inform us, and they coalesce to form an interconnected whole that operates to serve institutional interests first. In the process, large business corporations come to see natural persons as roles. This perception at once increases the individual's mobility and her irrelevance. Many of us are leading meaningless lives as we serve the objectives of others in our work. Overall, the large American business corporation has brought a new form of social organization that substantially truncates us as natural, whole persons. In the process, these organizations are challenging the family as a dominant form of organization in our society.

Rights in our society accrue to the actor with productive capacity. Through the use of political power, market research, and advertising, we can discern a type of power that subtly conditions us to believe that this reorganization of our environment is proper and right. As we pursue our own "free will," therefore, we actually submit to the objectives of the large business corporation.

Generally speaking, Adams, Brock, and Coleman agree on this fundamental point: *the dignity of individual purpose and meaning that we share and that define us as human beings is thwarted by a set of institutional arrangements that have fundamentally reoriented our society to serve the institutions' own objectives of profit and growth.* Why is this important? It seems that in social systems, like mechanical systems, something is lost when mass is increased. As our important institutions become larger, what is lost is a kind of knowledge about our own environment and how it works. In the place of this first-hand knowledge, we come to rely on second-hand knowledge provided by social-science experts. Without this first-hand knowledge, we lose the confidence that we have the ability to see for ourselves what has meaning and to bring about desired changes in our lives. With the loss of confidence, we lose power, a form of power that each of us is told from childhood that we, by nature, should have. Our individual wills and perceptions atrophy without use. We come to believe that our place in the social order is inevitable and natural. In short, the individual, the source of both knowledge and political rights, has become secondary to the will and strength of large private and public institutions. How can natural, individual actors regain—or perhaps realize for the first time—power in their own lives? In reaching for an answer to this question, I believe Adams, Brock, and Coleman have overlooked some essential features of our modern political economy.

Understanding the Shape of Law and Economics

When I write of the "shape" of an academic discipline such as law, I am referring, first, to the image of the actor who is assumed to be the subject from which general principles in the discipline are derived. In the process, I am also referring to the reasonable assumptions that are made about what motivates and guides the actors described by the image. Then, I am referring to the overall formal structure of the discipline which is built on these principles and assumptions. Finally, I am also referring to the less formal structure of this discipline, the residue of operative or practiced knowledge that is left in the minds of those who teach it and those who learn about the world through the study of it. It is the current shape of the disciplines of law and economics that has caused, as much as any other source, the kinds of power now exercised in the American economy. At this point, I will digress to make more clear a point asserted in my introduction: that law and economics are structured lenses of beliefs through which we see and attempt to guide our social world, and that these beliefs are inadequate for a world about to enter the twenty-first century.

Adams, Brock, and Coleman are certainly not the first to write and warn about the impact of the large American business corporation. There is a substantial body of literature on this phenomenon beginning over fifty years ago with the 1932 publication of Berle and Means's *The Modern Corporation and Private Property*. Following this in 1953 was Boulding's *The Organizational Revolution*, and more recently the many books of John Kenneth Galbraith. Of particular note is a book remarkably similar to *Bigness*, the hefty 1976 polemic on accountability in private and public life by Cohen and Mintz, *Power, Inc.* But despite this impressive body of literature, little has changed. The forces and institutional arrangements perceived by these authors have not been lessened or redirected; instead, they have intensified. Why?

Adams and Brock point to the answer. They note:

> Like his colleagues in other social sciences, the modern economist ... inhabits "islands of passivity and irrelevance rather than centers of ferment and innovation." He tends his scholarly garden of rare herbs and leafless plants, engaged in "small-scale research backed by large-scale grants." His primary concern seems to be not with the real problems of our time—poverty in the midst of affluence, the degeneration of our inner cities, the growing gap between rich lands and poor lands—but with esoteric model building. A prisoner of self-imposed categories of thought, the academic economist appears to dispense a conventional wisdom and recite an orthodox catechism. He seems to use the most sophisticated techniques to arrive at the most irrelevant conclusions. A professor, some say, teaches what he has been taught, and his students do the same for no better reason than that it was their professor who taught it to them.[25]

The economics of today seems irrelevant to understanding and acting on social problems that are right before us, yet economics appears to be of increasing significance at the levels of our society where public policy is made. Is this explainable? This apparent paradox is, at least, evidence for the proposition that the beliefs composing the body of knowledge we call economics are their own form of power. Our popular

[25] W. Adams & J. Brock, *supra* note 3, at 12.

press and, especially, our academic communities seem oblivious to the tremendous inertia of their own belief systems.

We See What We Believe, We Believe What We Are Taught

Our first task is to attend to the accuracy of the belief systems that pass for the "social sciences" of law and economics. In this section and the ones that follow, I will argue that these belief systems are neither "social" nor "scientific." How is it, after all, that our economists and law-trained politicians, the people who speak for the two most important fields of knowledge informing our public policy process, can be said to be irrelevant? The answer is essentially epistemological and is somewhat speculative.

When events become removed from our own direct experience, the aphorism, "seeing is believing" becomes inapplicable, and the obverse, "believing is seeing," is more apt. It is so in the realm of remote complex economic and social events. Take the proposed merger of Chrysler and American Motors, for example. How are we to assess its merit, its worth, and its impact on us? What gives the event meaning is not the facts or figures that tell of the totals of this or that, but our belief that-certain other events will follow. Those favoring this merger appeal to one community of belief; those opposing it appeal to another. Communities of belief underlie the public policy "sciences" of today and help to determine what is to be studied and thus valued. How do these communities come about, how are they structured, and how do they change?

Capitalism As A Collection Of Shared Beliefs

In the words of the philosopher/scientist Thomas Kuhn, it is "paradigms" that establish and perpetuate communities of belief which pass as objective science.[26] He uses the word paradigm in two senses, both applicable to our policy sciences of today. First, there is the collection of shared beliefs that are fundamental but unexplicated. For example, underlying the world view of the lawyer and economist are beliefs about the worth of private property, freedom, autonomy, competition, and profit. These shared beliefs are rarely explored in rigorous detail in the classroom or the literature; instead, they are assumed to be worthy objectives. They must be, says Kuhn; otherwise, academicians and practitioners would have to start all over again when they communicate, defending first principles and building their discipline anew.

The second sense in which Kuhn uses the term paradigm is equally important. This second sense refers to the element in a constellation

[26] T.S. Kuhn, The Structure of Scientific Revolutions (2d ed. 1970).

of beliefs that helps to explain how the beliefs are perpetuated: it is the set of techniques shared by members of a given scientific community. More specifically, it is the concrete puzzles and solutions which, employed as models or examples, can replace explicit rules or principles as a basis for more fundamental discussions of belief and value.[27] Viewed in Kuhn's terms, the capitalist paradigm has two dimensions: the beliefs about the value of property, the value of efficiency, and how we should be organized socially to obtain certain societal objectives; and the problems and answers which pass as technique and are seen as the neutral and objective tools of the "science." First, I will elaborate on the most basic image that serves as the foundation of the shared beliefs and general principles that members of the economist-lawyer-politician fraternity of public policy commentators use. I argue that the singular emphasis on individualism has made law and economics of increasing irrelevance in our group-dominated society. Second, I argue that the puzzles and solutions that pass as science within our colleges of business, primarily, are so narrowly fashioned as to be depraved.

Law And Economics As Shared Systems Of Belief Emphasizing Individualism

There are many beliefs about the nature of human beings and the nature of the good life that underlie our political economy. These include the sanctity of private property, the positive value of competition, profit as the ultimate measure of economic activity, and others. However, these values arise from the most fundamental belief of them all: the ideas about the worth, duties, and sanctity of each person comprehended within the idea of individualism. Even beliefs about self-autonomy and freedom center around the belief in individualism, so I will limit my discussion to this one core belief.

The force of individualism in our society is underrated. Individualism is the popular belief system that drives our economy; it is the popular expressed set of ideals that provide the reasons why we do much of what we do. What I mean by individualism is best summed up in these final lines of Wm. Ernest Henley's nineteenth century poem, *Echos*:

> It matters not how straight the gate;
> How charged with punishments the scroll,
> I am the master of my fate;
> I am the captain of my soul.[28]

[27] *Id.* at 175.

[28] W.E. Henley, *Echos* (1888) IV, cited in J. EASTERBROOK, THE DETERMINANTS OF FREE WILL 1 (1976).

Individualism was so dominant in our eighteenth and nineteenth century society that it took a foreigner, Alexis de Tocqueville, to recognize and define it. He wrote that it is "a calm and considered feeling which disposes each citizen to isolate himself from the mass of his fellows and to withdraw into the circle of family and friends; with this little society formed to his taste, he gladly leaves the greater society to look after itself."[29]

Individualism represents a kind of religious-spiritual ideal that the realization of the final stage of human progress is upon us, and that each one of us, pursuing and manifesting his own freedom according to his own will, is to vindicate his own dignity. Individualism embodies the keys to the crucial question, "Why live?" Its answers are to serve one's needs, to seek personal joy and fulfillment, and to be recognized and venerated because of our own intrinsic worth. Our literature romanticizes this theme, and so do the recent popular films of *Rambo* and *Rocky*. We are each the one, lone, justice-oriented individual seeking fulfillment of individual desires.

Individualism suffuses our philosophy, our political thought, and our social policy sciences of both law and economics. Let me take law as an example of a social science that is today founded conceptually on the beliefs of individualism. How did this come about?

Law Is Historically Conceived in Terms of the Rights and Duties of Individuals.

In this oldest of the policy tools, the problems began with Blackstone and his *Commentaries on the Laws of England*. When he set down the principles of law as he understood them in 1765-69, Blackstone focused on the paradigm of the time, which took as relevant the existence of "rights" and "duties." Individuals were the primary actors of the age and it was to them that rights and duties affixed. The legacy of this view is strong. Today, academics in law still focus primarily on rights and duties that flow from numerous technical applications of a whole host of federal and state rules. As our real environment has changed to become dominated by corporate actors, especially in the later half of this century, the core image of individual action has remained. Today's mammoth business corporations are seen as having essentially the same rights and duties as natural persons. Thus the substantial power they wield because they are large institutions is missed.

[29] R. Bellah, R. Madsen, W. Sullivan, A. Swidler, & S. Tipton, Habits of the Heart: Individualism and Commitment in American Life 37 (1985) (quoting de Tocqueville) [hereinafter cited as R. Bellah].

Law Sees All Social Actors As Human Actors.

Seeing institutions as persons is a grave conceptual error, and it has been at the heart of our public policy beliefs for over 100 years. Individualism so dominated our nascent public policy sciences that when the United State Supreme Court was faced squarely with the issue of whether corporations were persons for purposes of being granted the same constitutional protections enjoyed by natural persons it held that, of course, corporations were persons.[30] In this case, the Supreme Court heard no argument, wrote no opinion, cited no history, and provided no logic to support its holding. Some sixty years later the insightful Justice William O. Douglas wrote that he would overrule this earlier case on this point because it was "a question of vital concern to the people of the nation," one that should not be decided by a court.[31]

To compound this conceptual error, the Court has more recently held that large business corporations basically have the same first amendment rights as persons.[32] In this case, the Court said that the legal emphasis should be directed away from the nature of the speaker and toward the substance of what was said. Thus, large business corporations have the same right to engage in the political process as all natural persons. In the eyes of the law, it makes no difference who is speaking—you, me or General Motors. But of course there is a difference!

The inability of the law to distinguish between natural persons and large business corporations is a crucial failure of judicial imagination. This failure seriously flaws our law and our own imaginations as citizens and academics, and our world is poorer for it. Take for example the Buffalo Creek mining disaster, in which a large corporation that despoiled the environment can be said to be directly responsible for death and destruction (specifically, the death of 125 people). There, the acting agent (the Buffalo Mining Company) and its parent (the Pittston Company, an energy conglomerate) were sued for damages and had to pay about $13.5 million to over 600 plaintiffs.[33] After this event, the president of Pittston was promoted to Chairman of the Board and Pittston appeared to be as profitable as ever. The point is that in this calamity a very large corporation was seen, thought of, and thus

[30] Santa Clara County v. Southern Pac. R.R., 118 U.S. 394, 396 (1886). For a recent work expatiating on *Santa Clara* and its impact on American law and American thinking about the large corporation, see CORPORATIONS AND SOCIETY: POWER AND RESPONSIBILITY (W. Samuels & A.S. Miller eds. 1987).

[31] Wheeling Steel Corp. v. Glander, 337 U.S. 562, 574 (1949).

[32] First National Bank of Boston v. Bellotti, 435 U.S. 765 (1978).

[33] *See* G.M. STERN, THE BUFFALO CREEK DISASTER 301 (1976).

treated in the same way as an individual. The standards of reasonableness applied by the jury, the judge, and the press were the same as those that would have been applied had the actor been an individual. There was no conceptual distinction. But *there is a difference*! Our individualism-based ideas about law caused the acting agent to pay a (relatively) trifling sum and trudge on as before. Had the actor been a single individual, surely an indictment for the 125 deaths would have been returned and the actor would have had to account for its actions. Because it was a large corporation seen as an individual by our law, however, it literally got away with manslaughter.

Large Corporations Adopt As Their Own The Moral Language of Individualism.

So, the key set of beliefs that shapes the lens we use to see, comprehend, interpret, and guide our economic society causes myopia. Our beliefs about the significance of our individual worth focus the true picture of our social world in front of our retinas. That is, we do not see accurately the fact that collective social action is categorically different from individual action. Thus, objects that are in the social distance are blurred; we miss seeing and comprehending vitally significant elements in our environment that exert power over us, and we are helpless to do much about it.

This lack of comprehension is compounded by the fact that the large private institutions in our society have adopted the rhetoric of individualism. *Today, the champion of individualism, the most vociferous proponent of it, is the large business corporation.* There is a perverse irony in the fact that large groups of men and women such as General Motors use the moral language of individualism to justify and legitimize a system in which the few profit from the efforts of the many.

In our society, the elephants in our midst speak the moral language of chickens. Chickens—the source of political rights in our barnyard—thus believe that elephants are entitled to the same legal protection as the smaller animals for whom the barnyard was created. This results in a kind of public, conceptual frustration, a frustration noted well by a group of sociologists reflecting on individualism and American life who recently wrote:

> The extent to which many Americans can understand the workings of our economic and social organization is limited by the capacity of their chief moral language to make sense of human interaction. The limit set by individualism is clear: events that escape the control of individual choice and will cannot coherently be encompassed in moral calculation. But, that means that much, if not most, of the workings of the interdependent American political economy, through which individuals achieve or are assigned their places and relative power

in this society, cannot be understood in terms that make coherent sense.[34]

What We Teach In The Name Of Social Science Is Portrayed As a Neutral And Objective View Of The World.

I have argued that there is a significant bias in the way our social policy mechanisms of law and economics interpret our commercial and social reality. A second point that I referred to earlier relates directly to the approach to a solution I will later propose. Recall how Kuhn asserted that beliefs underlie the communities of thought that pass as science, and that communities of belief such as law and economics are almost never taught as communities of belief, especially in the colleges of business or social science or wherever else economics happens to be located within the university. Have you ever heard of a course on "Capitalism?" Not in an economics department, where the underlying belief structure that provides a basis for that discipline is seldom explicitly taught or critiqued. Instead, in course after course, students are taught that economics is a set of value free puzzles (problems) with proper solutions. When students can solve these puzzles, they pass the course. In fact, in almost all the courses taught in the typical business school, students work problems with correct solutions. *Every business "discipline" does what Adams and Brock accuse economists of doing.* Business professors totally ignore crucial problems facing our society because they are mesmerized by the apparent elegance of their own problems, and by solutions that have the aura of Newtonian certainty about their process and methods. The unit of scientific advancement for those who work within the mainstream of the discipline is the solved problem; it is process, method, and style that count. The social utility of the process is rarely discussed. So, growing out of the shared beliefs that make disciplines possible is a language of remote symbols understood as tools by members of that community. These symbols can be compounded and accumulated, divided, squared, and regressed. They evolve toward attempting to explain ever-narrower slices of life, and by now the only ones who can understand that language are the ones whose careers are tied up with that slice. In economics I am referring to elegant mathematical symbols, models, and techniques; and in law I am referring to fundamental ideas like reasonableness, liability, intent, and so forth.

What we must do for the over 450,000 yearly graduates of our colleges of business is to change both our beliefs about the nature of

[34] R. Bellah, *supra* note 29, at 204.

the human character and the puzzles and solutions that pass for science. But where do we start in this enterprise? We should start with a point overlooked by Adams, Brock, and Coleman: that, after all, *our institutions are us*. Both the books reviewed so far, Adams and Brock more so than Coleman, focus on our external world and describe what they see and feel. But they never reach the most basic questions of all: *Why are our large business institutions bent on serving their own objectives first before those of the natural persons in them and, why do the natural persons in them act as they do*? No evil force has organized us the way we are. There must be an explanation of the human character of roughly our place and time that informs us about ourselves and explains why our commercial society has evolved as it has. It is with this explanation that we must start if we are to understand the patterns of our society and, more particularly, the existence and control of power in the American economy.

Our external institutional world is rooted deep within the nature of the human character. It is to this nature and to one source in particular that I now turn to explore the basic understanding of why we live in a group-oriented world that at times seems incompatible with our lives as individual human beings.

Group Psychology and the Analysis of the Ego

Sigmund Freud acknowledges that the starting point for his analysis of the nature of our group life is with Le Bon's 1895 work, *The Crowd: A Study of the Popular Mind.* Le Bon's major point is that:

> Whoever be the individuals that compose it, however like or unlike be their mode of life, their occupations, their character, or their intelligence, the fact that they have been transformed into a group puts them in possession of sort of [a] collective mind which makes them feel, think, and act in a manner quite different from that in which each individual of them would feel, think, and act were he in a state of isolation.[35]

Freud blends his own thoughts with Le Bon's and asserts what has become the hallmark of Freudian analysis: "[O]ur conscious acts are the outcome of an unconscious substratum created in the mind mainly by hereditary influences. This substratum consists of the innumerable common characteristics handed down from generation to generation. . . ."[36]

[35] S. Freud, Massenpsychologie und Ich-Analyse, English Translation: Group Psychology and the Analysis of the Ego 73 (1922) (quoting Le Bon).
[36] *Id.* at 74 (quoting Le Bon).

To get right to the point, humans in groups exhibit a character that is the product of a collective unconscious that has been shaped by the millennia of experiences of the human race. Again relying on Le Bon, Freud makes these points about the individual psyche in groups:

1. Individuals in groups, gathering strength from the acknowledgement and sharing of the unconscious collective spirit, yield to instincts which, were the members alone, would have been controlled by the more conscious parts of their minds. Thus, groups may engage in activities that no single individual would undertake.

2. The energy that drives the group is generated by the emotional experience that comes from sharing common objectives with others. Le Bon says, "In a group every sentiment and act is contagious, and contagious to such a degree that an individual readily sacrifices his personal interest to the collective interest."[37] This, it seems, is not conscious, but is felt as a deep-seated bond that arises because of a commitment to shared objectives, shared perceptions, and shared feelings.

3. The direction of the group, and thus the nature of the transformation of the individual, is determined by "suggestions" that are on the order of a remark made by a hypnotist. Although the suggestions are explicit and audible, their effects are more subtle, yet almost immediate. These suggestions are not subject to any faculty of the mind that could be called critical or judgmental. Simply, it is suggested, it is done.

In a group that represents to us something as important as our life's work (a corporation in which one is a manager, for instance), what we tend to do is to lose our conscious personality. We therefore may be one person at home and another at work. We get our drive from the shared experience of working with others and our direction from explicit suggestions.

Le Bon pushes on and writes that groups do not doubt or tend to question their direction, and that they are "as intolerant as [they are] obedient to authority."[38] The force of a group is only slightly influenced by kindness, and it demands strength and a kind of rough guidance from its leaders. Finally, Le Bon notes that despite a group's lack of a critical facility, its ethical conduct may just as likely rise above that of an individual as sink below it.

Freud calls this a brilliantly executed picture of the group mind, but seeks to delve deeper into the nature of the interaction between

[37] *Id.* at 75 (quoting Le Bon).
[38] *Id.* at 78 (quoting Le Bon).

group and individual. Le Bon, he says, does not explain the function of the leader and the importance of what he calls prestige, and no picture of individuals in groups would be complete without these explanations. Somewhere deep within the structure of the mental apparatus that determines our actions are the patterns and images of what Freud calls the primal horde, which results from the herd instinct. This instinct reveals a tendency to be gregarious, and to be part of a larger social organization than the solitary individual. The herd instinct is vital to understanding the human character and ranks with self-preservation and self-propagation as the most fundamental determinants of our behavior.

The Structure Of Groups

In Freud's conception of the primal horde, the position of the leader is important. Freud conjectures that the earliest form of man existed in a horde ruled over by a despotic, powerful male. He maintains that "the fortunes of this horde have left indestructible traces upon the history of human descent."[39]

Freud's explanation of what happens to individuals within the horde is controversial, but it does offer one explanation of why we tend to bond in groups, to follow their rules, and to be identified with their objectives. He maintains that the leader of the primal horde prevented men from open sexual gratification with women and thereby caused the male members to establish a kind of emotional bond with and reliance on him.

Here, I believe, is the single most significant assertion that Freud makes in this context: in groups we have a strong natural tendency to give up what he calls our own ego-ideal. Our ego-ideal is our individually maintained set of ideas about how to lead the good life and to be good. We substitute for it the group ideal as espoused by or represented in the group leader.[40] This process is not conscious, and is guided, as I understand it, by many of the most basic drives of human beings. We crave love, affection, and recognition; and for these we will gladly forsake what our lore tells us is our primary mission on earth—the search for individual self-fulfillment. At a more general level, Freud's point is this: *we have been, we are now, and we will likely forever be social animals. We will relinquish notions of individual self-fulfillment to seek social recognition and a place in innumerable groups. We are all, most basically, horde animals.*

This view of human beings is not flattering. Neither is the view of our world provided by Adams, Brock, and Coleman. But as I have

[39] *Id.* at 122.
[40] *Id.* at 129.

suggested, what these more modern writers fail to acknowledge is that *we are our institutions*. Large business corporations are not "out there" somewhere; instead, they are within each of us: *we are it and it is us*. Allow me to refine my barnyard metaphor here. Our environment is not populated with real elephants; what appear as elephants are gigantic structures created by our law, and legitimized and given direction by a set of economic beliefs. These structures are filled with hundreds and thousands of us chickens. Every day we eschew the sunlight and crawl up inside. Sitting not before the eyes but deep within the belly, our leaders dole out compensation (the source of modern-day gratification) while other key operatives push buttons and pull levers as the behemoth moves about.

Conclusion

Power in the American economy exists at many levels and in several dimensions. Conventional measures such as market share based on sales do not reveal the ability of large business corporations to determine the quality of our environment or the routines of our daily life. It is the structure of our everyday life, the common patterns that result from our perceived set of expectations and choices, that is the most important part of our existence; and the ability to shape them is a source of significant power. How is this structure created? The writers whose work I have reviewed point to the answer. We have been led down the pathways to the present configuration of our commercial society by large private corporations foraging, they say, for the public good. Their actions are legitimized by those calling themselves experts (lawyer-politicians, economists, and public policy commentators) in what it is that we are supposed to want. Their language and modes of discourse have been taught to us in high school and college, and each has become ever so refined. Coupled with the image of individual actors in this discourse is the apparent certainty of mathematical symbols and econometric models; today, the language of numbers holds the intellectual high ground in business colleges and the places where our public policy is formulated. Thousands and thousands of students are clamoring for a chance to use this language. For those who teach this language, academicians primarily, the language itself has become the objective.

But this language is constructed on images of the human character that are not so much false as they are depraved. At the very base of this language are the eighteenth century perceptions of what a singular human being was supposed to be. The result is a world seen and discussed as composed of numerous autonomous individuals. Yet the language of individualism is afloat in a much larger, real environment where our very social side draws us into corporate groups in which we are conditioned to believe that these institutions are just like one of us. But this belief is wrong. Our social landscape is contoured by the large business corporation, an entity which is just not like each of us. The large business corporation is a Trojan horse (or, to keep my metaphors consistent, a Trojan elephant) created not by some enemy but by our own inability to see the marked differences between individual and group action. We are one type of person alone and outside the animal, and another on the inside.

Today, our instincts are teased in at least two different directions at once. Our popular culture holds out the image of the individual struggling to find meaning in self-accomplishment. The recent best-sellers by and about Lee Iacocca and Donald Trump are not popular because of their literary qualities but because they are stories about a cultural ideal. They are modern, true-to-life Rambos. Yet our daily routines are directed toward the objectives of others, primarily those of our employers. The instinct to be loved and cared for and to be protected and nurtured is titillated by the rewards and recognition of working in large institutions. The result is a deep moral frustration, a frustration that makes us call for "more ethics" in almost every facet of our lives. Today we desperately seek an understanding of why portions of our world are escaping our intellectual grasp.

We need a coherent system of shared beliefs about our group existence, and applicable puzzles and solutions so that we may speak and work together on this social dimension of our everyday life. Today, our group reality is upon us without an ideology or conceptual framework to comprehend it; and our perceived, allegedly comprehended, individualistically-oriented world is an ideology without much reality. *The result is a misperception of what we think we know.* As our social reality becomes increasingly dominated by large institutions and groups, we know less and less about it.

And so how do we create a new knowledge that is not oriented toward showing that the real explanation for current arrangements is that they ought to be the way they are? First, we need a new image of the human character that accounts for the apparent fact that most of us are both individualistically *and* group-oriented. *We are not one or the other: we are both.* Achieving this image is not so much a matter of achieving some sort of balance or symmetry in how we see ourselves as it is recognizing that there are two dimensions to our reality and that we need to know about both in order to realize a more full level of existence.

Seeing ourselves as only individuals tends to divide us and make common enterprise appear as a zero sum game—one in which I benefit only at your expense. Our new view of ourselves and our new language must retain the desirable fruits of individualism (primarily rights natural persons have vis-a-vis the state), but must emphasize as well the reality and dignity of common purpose apparent in our group life. This language must be taught in our public schools and in our universities and colleges of business so that each of us will become (as it were) bilingual. *There is no more underrated public policy tool than the core courses in our high school and university systems. The beliefs we teach here shape how we see and then come to understand ourselves and our environment.* Unless we attend to these beliefs in a more conscious way as a means of becoming aware of the dimensions of power in the American economy, we will continue to serve at our own expense the interests of the beasts that roam our environment—beasts that remain unseen and largely uncomprehended and uncontrolled due to a system of beliefs as inappropriate for our age as those of the court of Louis XIV were for his age.