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your face” like Klan literature or subtle and elusive, like the political rhetoric of Pete Wilson and George Bush. The overall atmosphere of assault, degradation, and exclusion that such discourse enables threatens advancement in achieving racial harmony.

**Strong Managers and Weak Owners: The Political Roots of American Corporate Finance.**

By *Mark J. Roe*. Princeton University Press, 1994. 324 pp.

*Reviewer:* CHI-NIEN CHUNG, *Stanford University*

The major thesis of legal scholar Mark J. Roe’s book is that the relative weakness of institutional finance intermediaries provides one of the most important explanations for today’s American corporate ownership structure. Since financial institutions are too weak to own big blocks of firm stock, enterprises have to draw needed capital from numerous, dispersed households through securities markets. The weak position of financial institutions is due to America’s particular political history. The author proposes that three political factors explain the emergence of various financial laws which prohibit or constrain institutional intermediaries from owning dominant blocks of corporate stock: populism, federalism, and interest groups. He reminds us that in academic studies of corporate ownership, these political influences have long been neglected. Berle and Means’s classical managerialism argument dominates current accounts of dispersed ownership and concentrated managerial control in American firms. Roe believes that in addition to economic and efficiency arguments, political forces are also important. The first part of his book is devoted to showing how these political forces, in the form of legislation, shape the institutional possibilities of corporate finance.

The dispersed structure of enterprise ownership enables managers to be in a power position without counterbalance and monitoring. Roe implies that inappropriate managerial decision making is a reason for the weak competitive edge of American corporations today. He demonstrates this by comparing American political history and corporate ownership with those of two currently flourishing economies, Germany and Japan. Both of these economies have significant institutional financial intermediaries in their corporate governance. While the comparison in part 4 is short, it provides evidence for this book’s central thesis: political forces do influence corporation ownership, finance, and performance.

In part 3, Roe comments on the practical implication of this political theory of corporate finance. If political forces and legislation are important reasons for current corporate ownership and performance, he inquires whether it follows that we should adopt laws to enforce the alternative model — strong institutional intermediaries, which has already been proved efficient in Germany and Japan.

Roe demonstrates his rigorous academic thinking by not slipping into this oversimplified dichotomous logic. Instead, he proposes a free market model of corporate finance. He argues that different models are suitable for different situations. Today's best model may not be tomorrow's and successful foreign examples may be inappropriately practiced in the United States. He hence recommends free competition among different means of corporate finance, which has never been a reality in America. There may or may not emerge a dominant means, but free competition could at least relegate political forces to an ancillary role rather than a central one.

Roe successfully demonstrates the significant influence of political forces on corporate organization. His study makes a valuable contribution to institutional theories in particular and to organizational studies in general. Besides, Roe's book provides a "relational" viewpoint similar to that of sociologists. It contains three political components — populist ideology, federal constitutional framework, and interest groups interacting with one another — that give rise to the current structure of American corporate ownership. It is not the political forces themselves but the relationship among them that is most emphasized by the author, and hence makes the argument of considerable sociological interest.

Roe's book, however, has several issues that need to be clarified. First, the American state and judicial system are depicted as completely autonomous from American civil society. In his argument, the state has full authority and capacity to enforce financial laws and regulations without resistance and corruption. But it is hard to imagine that powerful bankers do not have circuitous ways to do their business even under rigorous regulation, and this would have been especially true early in the twentieth century. The point I want to emphasize is not that government officials are corruptible, but that the dialectic relationship between state and society is oversimplified in this book. This approach is very similar to early state-centered theories. Yet more recent state theorists have adopted a more convincing stance, proposing that state autonomy is embedded in the social system (See Peter Evans's *Embedded Autonomy: States and Industrial Transformation*, 1995). State intervention varies in different social configurations and time periods. Hence, more persuasive evidence and sophisticated arguments are needed if the author wants to keep his autonomous-state perspective.

Second, the whole book starts from narratives in Berle and Means's study, that dispersed ownership leads to strong managers. Roe then offers a political theory of fragmented financial institutions to explain this corporate structure. The crucial premise of the whole theory is financial fragmentation. Yet this premise itself is arguable and contradicts financial hegemony theories. American corporate ownership may look dispersed at first glance, just as financial intermediaries give the appearance of fragmentation. However, studies employing such concepts as multilayer ownership and indirect control show that financial institutions do not *have* to own big blocks of stock to control industrial firms. (See Maurice Zeitlin's

and Richard Ratcliff's *Landlords and Capitalists: The Dominant Class of Chile*, 1988.) Chains of ownership across several levels of enterprises keep the controlling power at the top of the chains. These studies also demonstrate that there can be a centralized clique, hidden behind the dispersed business structure, which controls both industrial and financial capital. My point here is not to endorse one theory or the other, since this is an empirical question and the answer would be different in different contexts. Rather, I would suggest, in a book like Roe's, that none of these theories should be accepted without discussion. One or two chapters devoted to relevant empirical studies that justify and consolidate the core premise would better support his argument.

Third, this book has substantial policy recommendations. Five of its 21 chapters address the optimal organizational form for modern American business. The author focuses only on corporate costs such as agency, production, and transaction costs. In order to make managers accountable and efficient, and thus reduce monitoring costs on agents, he argues that ownership by financial institutions is a better alternative than either corporate takeover markets or multilevel hierarchies. Since financial institutions bridge suppliers and customers, production units do not have to integrate into a huge complex which entails more production costs. Moreover, the loose alliances established by relating to the same financial institutions smoothes interfirm transactions. According to the author, partial ownership with contracts between financial institutions and industrial firms seems to be a perfect form of organizing business. However, the author only considers various types of costs from the standpoint of economic efficiency and neglects plausible social costs induced by such organizational alliance. As Granovetter suggests for Japanese business organizations, there might be certain groups such as workers and consumers, who would benefit less from the alliance between manufacturing and financial firms than do the corporate actors themselves. (See Mark Granovetter's "Review of *Alliance Capitalism: The Social Organization of Japanese Business*, by Michael Gerlach" in *Contemporary Sociology*, 1994:23:3-5.) Discussing the relationship between economic arrangements and wealth distribution may be complicated, but is unavoidable when offering policy recommendations.

**The Logic of Evil: The Social Origins of the Nazi Party, 1925-1933.**

By William Brustein. Yale University Press, 1996.

Reviewer: HELMUT K. ANHEIER, *Rutgers University*

One of the most surprising facts about the sociology of Nazism is just how little systematic research there had been until quite recently. Indeed, for the first three decades after WWII, many archives remained either closed, like those located in the former Soviet Union, or restricted in their access and use for researchers, like