

SULLIVAN

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The culture of the United States places substantial value on the sanctity of the individual and the importance of democratic decision making. In fact, the U.S. political and legal systems go to great lengths—much further than most nations—to protect the rights of people from being intruded upon by the government or other large organizations. In the legal realm, for example, the judicial system is based on the presumption that a person is innocent until proven guilty. It is the government's burden to prove that one is guilty rather than the individual's burden to establish innocence. So people are released on bail before trial on the grounds that the government has no authority to incarcerate people until after guilt has been established. Also, the court system makes it possible for individuals—even those with few economic or other resources—to take on large corporations or the government in the courts. For example, lawyers take some cases on a “contingency fee” basis, which means that they receive payment only if their client wins the case. This means that anyone, even poor people, can hire a lawyer with no financial risk to themselves.

With such a system, powerless individuals frequently fight—and sometimes win—battles against corporations with enormous economic clout.

All too often, however, these cultural ideals are threatened by the extreme concentration of power in the hands of a few people in the political and economic realms. The result is often an abuse of power that works to the detriment of many citizens.

To understand this problem, we need to know something about how political and economic institutions work. **Politics** refers to *the agreements in society over who has the right to exercise control over others, who can establish laws to regulate social life, and how conflicting interests in society will be resolved*. By establishing laws and exercising control, political institutions, in effect, determine whose values will predominate and how rewards and resources will be allocated in society. **Economics** refers to *the processes through which goods and services are produced and distributed*. Although politics and economics are distinct institutions, they are closely intertwined. Both focus on a central issue in society: the exercise of power in the allocation of scarce resources. In fact, a classic description of politics could be aptly applied to *both* political and economic institutions: They determine “who gets what, when, and how” (Lasswell, 1936).

The problem associated with these institutions is not the use of power—because this is precisely their purpose in society—but rather the abuse of power:

the exercise of power in ways that work against the interests of substantial numbers of less powerful people and result in their exploitation. Abuse of power is often linked with the size and complexity of businesses and government, along with the concentration of power in the hands of a small number of people or organizations.

As we will see, political and economic concentration of power creates many problems. In addition, political and economic institutions are often closely linked with many of the other social problems discussed in this book. So the analysis of political and economic institutions in this chapter serves as a helpful foundation to the remaining chapters in the book.

Types of Economic Systems

To survive, every society must ensure that food, clothing, shelter, and other materials are produced and distributed to the members of society who need them. The rules and social practices governing this production and distribution make up the economic institution of a society. The economies of most nations today are *market economies*, which are based on the exchange of money for goods and services in the marketplace. Although modern economies share this

Myths and Facts

About Business and Government

Myth: The economy of the United States represents a pure form of capitalism.

Fact: There are no pure forms of capitalism in the world today. Even in the United States, the government is involved in controlling and regulating the economy in many different ways.

Myth: Finally, in the 1980s, the growth in the size of government in the United States was halted.

Fact: The federal budget continues to grow larger each year and constitutes close to 20 percent of our gross domestic product. However, the number of full-time government employees has actually dropped slightly since 1970.

Myth: The United States' corporate economy works toward the common good.

Fact: The primary motivation of corporations is to turn a profit and to ensure corporate growth. Corporations have been known to market shoddy, even dangerous, products to the public because a quick profit could be made.

Myth: The economy of the United States has become uncompetitive in world markets because so many workers in the United States are members of powerful unions that force employers to pay unjustifiably high wages.

Fact: At the unions' peak in the 1950s, only one of every four workers in the United States was a member of a union, and that number has dwindled to one out of eight today. The other seven workers have no organized body speaking for them and are on their own when demanding a living wage from their employers.

market foundation, they differ from one another in significant ways. We will look at three main types of modern economic systems: capitalism, socialism, and mixed economies.

Capitalism*

Capitalism contains three features that, taken together, distinguish it from other economic systems: *The means of economic production and distribution are privately held; the profit motive is the primary force guiding people's economic behavior; and there is free competition among both producers and consumers of goods* (Gottlieb, 1988). The proponents of capitalism argue that these features provide for consumer control over the quantity, quality, and price of goods. In its pure form, capitalism works like this. Seeking profits is, in a sense, merely unleashing personal greed. But this is quite appropriate, argue proponents of capitalism, because this gives capitalists the motivation to provide more and better goods and services. If there is a demand for some product, a company will come along and provide it if it can profit from doing so. Furthermore, the profit motive encourages innovation and creativity because there will be entrepreneurs looking for novel goods and services—some that the consumer has not even thought of—that they can sell for a profit. Capitalists must be constantly on the lookout for new products lest someone else beat them to the punch and corner a market. Thus, from this profit-seeking motive, consumers benefit from having more and better goods available. Open competition among capitalists also benefits consumers by enabling them to choose among a number of items, comparing price against quality. If the quality of products is too low or the price is too high, people will not buy them and the capitalists will be out of business unless they change. Adam Smith referred to the conjunction of profit seeking with competition as the “invisible hand” of market forces that would ensure that the supply of goods is roughly equivalent to the demand for them and that the public has available the goods that it wants with the highest quality possible.

The role of government in this process, argue those who favor pure capitalism, should be to stand aside and let market forces operate unhindered. The government is necessary to maintain public order and protect against foreign threats, but any effort by the government to regulate the market is regarded as disastrous. Government regulation of prices or wages, for example, would interfere with both the profit motive and the competitive element and thus reduce the incentive to develop new and better products. In short, government policy under capitalism should be

one of laissez-faire: The government should leave the market alone.

There are no pure forms of capitalism in the world today. Even in the United States, the government has always been involved to a degree in controlling and regulating the economy. Despite this, the U.S. economy is still one of the most capitalistic in the world. There is strong resistance to government interference in the economy and little support for government ownership of utilities, railroads, or other industries that are often government owned in other capitalist societies.

Socialism

Socialism refers to *economics in which the means of production and distribution are collectively held so that the goods and services that people need are provided and equitably distributed*. In capitalism, production is based on economic demand: Goods and services are provided if people can afford to purchase them. With socialism, production is based on human need: Goods and services are produced because people need them, irrespective of whether they can afford them (Harrington, 1989; Le Grand and Estrin, 1989). Pure socialist economies reject the profit motive, recognizing that one person's profit is another's loss. In addition, socialists argue, the profit motive provides a built-in incentive for one person to exploit another, for example, by keeping wages low in order to increase profits. In other words, it is inherent in capitalism that one person is set in competition with another—either capitalist against capitalist or capitalist against consumer—and the inevitable outcome is a highly unjust and inequitable distribution of resources.

In socialist economies, the primary motivation for economic activity is to achieve collective goals, such as a higher standard of living for all citizens. To do this, the economy is highly centralized, with decisions about what to produce and how to distribute these products being made for the whole nation by national authorities. Because profit and consumer demands are not key elements in these decisions, the decisions can presumably be made with the collective interests of society as a whole in mind.

As with capitalism, pure socialism is rare. Most socialist economies do allow for the private ownership of some goods, such as personal or household items, and people are allowed to engage in capitalist activity in some economic sectors, such as selling home-grown food in the marketplace. Most means of economic production, however, are collectively rather than privately owned.

At this point, a word needs to be said about *communism*, a term that is routinely misused by many

people. Communism is the term used by Karl Marx to describe the utopian end stage of the struggle over capitalism. In a communist society, *all goods would be communally owned; people would not work for wages but rather would give according to their abilities; and there would be no scarcity of goods and services, allowing people to receive whatever they needed. In addition, the state would become less important and its role would dwindle.* According to these criteria, nations that were commonly referred to as communist during the Cold War were actually socialist.

Mixed Economies

The economies discussed thus far tend toward pure capitalism or pure socialism, although each includes some elements of the other. Another type of economy, found in England and much of Western Europe, is the **mixed economy**, *in which there are strong elements of both capitalism and socialism* (Brus and Laski, 1989). In mixed economies, most industry is privately owned and oriented toward profit making. In addition, despite considerable government regulation, there is a competitive market economy, and consumer demand determines much of what is produced. However, in mixed economies, many important industries, such as banks, railroads, the communications industry, the media, and hospitals, might be state owned. Mixed economies provide for strong regulation of the private sector by the state. High taxes and an elaborate welfare system are established in hopes of achieving the national goal of a fair and equitable distribution of resources. Through such mechanisms, proponents of mixed economies hope to avoid the extensive social inequality that can accompany capitalism and the economic inefficiency that sometimes afflicts socialist economies.

Understanding these basic economic arrangements is important because the social policy debates relating to social problems often involve the question of which economic arrangements are most likely to achieve specified goals. This debate is introduced in Chapter 1, which discusses the interventionist and laissez-faire approaches. Although we need to be careful about oversimplifying positions, many interventionists argue that we should learn from mixed economies about how government policy can help us achieve goals of fairness and equity. Laissez-faire advocates, on the other hand, argue that an approach closer to that of pure capitalism would lead to greater economic growth and affluence, which would help solve many social problems. As we will see, proposals for solving problems of corporate and government growth tend to follow one of these two approaches.

The Concentration of Economic and Political Power

The Corporate Economy

Capitalism in the United States has undergone considerable change in the past two centuries. The U.S. economy once consisted of small, local businesses and many competitors. Consequently, power in the economic sector was decentralized, diffused, and limited to local or regional levels. It was almost impossible for businesses to accumulate substantial power at the national level. Today, the U.S. economy is very different: It is highly centralized and international in scope, and a small number of people can gain enormous control over wealth and power.

Furthermore, capitalism in the United States is no longer based on the individual ownership of businesses. Rather, the dominant form of business today is the **corporation**, *a business enterprise that is owned by stockholders, most of whom are not involved in running the daily affairs of the business* (Nace, 2003). There are three key things that distinguish corporations from individually owned businesses. First, corporations have access to a much broader source of capital than do individuals, because the former can sell stock to thousands of stockholders. Second, stockholders, who own the corporation, have only a limited liability should the corporation be sued or go bankrupt. Stockholders lose only the funds they have invested. Third, the ownership of corporations is separate from the control of its policies and daily affairs. The corporation is run by professional managers who are ultimately appointed by a board of directors that is elected by the stockholders. These managers may own little or no stock in the company. Legally, the stockholders run the corporation, but for all practical purposes the board and the managers do. Because of these characteristics, the corporate economic structure is extremely attractive to investors. Large amounts of capital can be accumulated with minimum risk to individuals.

Because of the advantages that stem from corporate organization, corporations now dominate the U.S. economy, with a relatively small number of corporations accounting for most business activity (Nace, 2003). There are over 3 million corporations in the United States, but most are small and have a minor impact on society. Economic resources, and thus influence and power, tend to be concentrated in the larger corporations. As these large corporations have come to dominate the economy, it has become possible for some to control substantial segments of

economic life to the point of restricting competition in the marketplace. One form of restrictive growth is called a *monopoly*—the control of a product or service by one company. For example, in the early 1990s, Nintendo controlled about 80 percent of the \$5 billion video-game market in the United States. Related to the monopoly is the *oligopoly*, in which a few corporations control a market. Some sectors of the U.S. economy are highly oligopolistic, in some cases approaching a monopoly. In a 1980s court case, AT&T was broken up into a number of smaller companies because it had gained almost complete control over local and long-distance telephone service in the United States. In 1998, the government began antitrust proceedings against the Microsoft Corporation because its computer operating system was installed

on over 90 percent of computers sold, making it difficult for other software producers to compete in the market.

Another form of corporate growth representing a concentration of economic power is the *conglomerate*, a corporation that owns other companies in fields quite different from that of the parent company. By the late 1990s, for example, a number of conglomerates emerged that centered on the media (television, book publishing, motion pictures, online media, and magazines) but also expanded into ownership of sports teams, farms, factories, and other corporations (Dye, 2002; McChesney, 2004). Some of the holdings of two of these media giants are described in Figure 2.1. Conglomerates are advantageous in that they provide stability through diversity: Losses in one

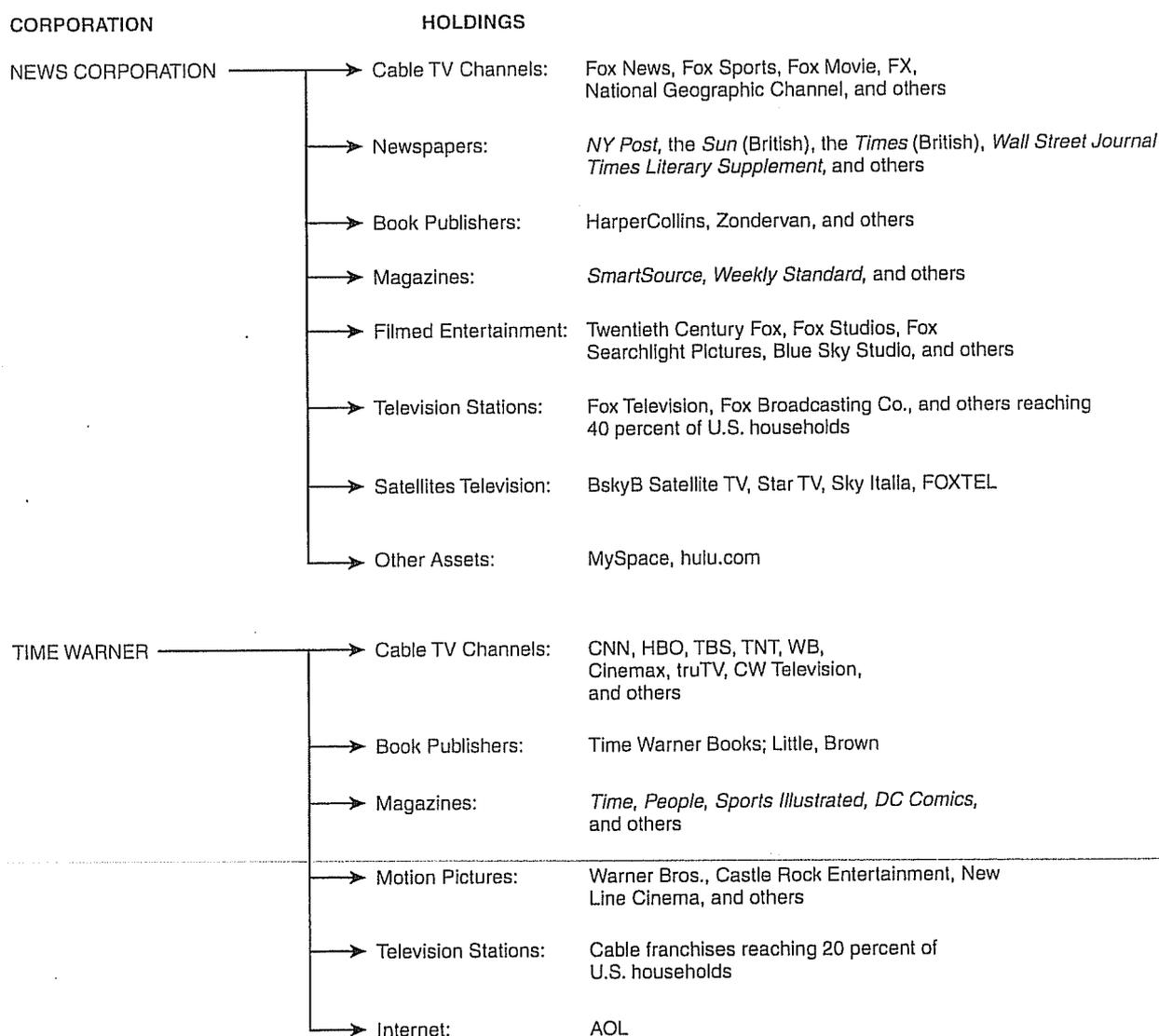


FIGURE 2.1 The Holdings of Two Major Media Conglomerates, 2010.

Sources: www.newscorp.com; www.timewarner.com (accessed March 2010).

industry can be counterbalanced by the parent company through profits made in an unrelated business.

As corporations have grown over the decades, the larger ones have extended their activities into a number of different countries (Barnet and Cavanagh, 1994). By the 1970s, *multinational corporations* had emerged, which made a large commitment of resources in international business and engaged in manufacturing, production, and sales in a number of countries. But these overseas corporate activities tended to involve separate operations in the various countries, often tailored to local social and economic conditions. By the 1990s, *global corporations* had become the prominent actors on the world scene: a few hundred corporations whose economic activities span the globe, using modern financial, industrial, and telecommunications technology to mount a worldwide, integrated system of production and distribution. Corporations have gone multinational, and then global, because enormous profits can be made with such an organization. There are lucrative markets for their goods outside the United States. In addition, the cost of labor, land, and taxes is considerably lower in places such as Mexico, Vietnam, and Indonesia than in the United States. So, U.S. corporations now participate in a “global economy,” in which national boundaries have become less important as determinants of or restraints on economic competition. This means that labor and capital in the United States now compete with labor and capital in many countries around the world.

Unionization

It was not until the late nineteenth century, and the emergence of business firms employing thousands of

workers, that the labor movement emerged as a significant political force in the U.S. economy. Capitalists, pursuing the profit motive, were inclined to pay workers as little as possible. In response, working people organized to pursue their own interests. Capitalists staunchly opposed the labor movement, believing that higher wages would generate laziness among workers and threaten the “American way of life.” The owners’ resistance and the workers’ determination made U.S. labor history one of the bloodiest and most violent of any industrial nation. However, the workers eventually prevailed, and by the 1930s legislation gave them the right to organize and to bargain collectively with employers.

The number of U.S. workers belonging to labor unions continued to grow, reaching over 22 million people in the 1970s. With the right to strike firmly established for most workers, unions have been in a strong position to gain higher wages and more benefits for their members. Just as businesses formed conglomerates and oligopolies, labor unions from many industries have combined their forces. This enables unions to pool resources and information and to provide mutual support through the refusal of members of one union to cross the picket lines of another.

Although unions have gained considerable power in the United States, their future is uncertain (Craypo and Nissen, 1993). Union membership as a proportion of the workforce has been declining since the mid-1950s and is presently at its lowest point since 1940 (see Figure 2.2). The number of people belonging to unions has declined to less than 16 million. One reason for this decline is that occupations traditionally unionized—blue-collar industrial jobs—have been declining in numbers, whereas the number of

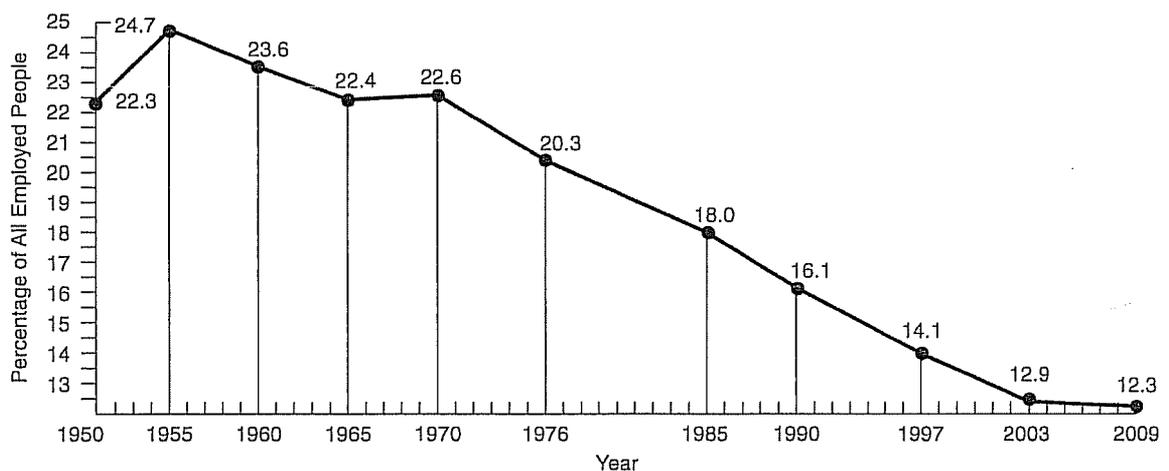


FIGURE 2.2 Union Membership in the United States as a Percentage of Total People Employed, 1950–2009.

Sources: U.S. Bureau of the Census, *Statistical Abstract of the United States, 1948* (Washington, DC: U.S. Government Printing Office, 1983), p. 439; U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, January, various years.

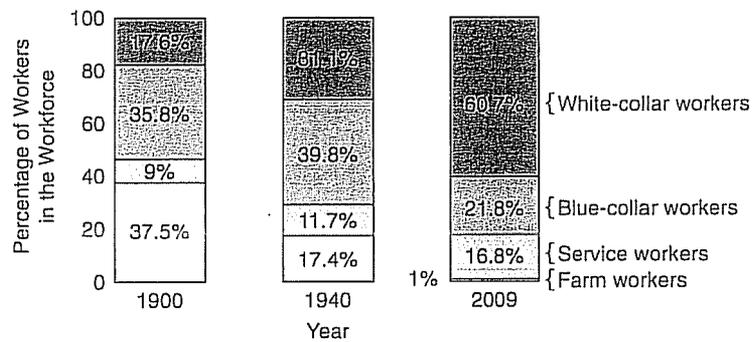


FIGURE 2.3 Changing Occupational Structure in the United States, 1900–2009.

Sources: U.S. Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1970, Bicentennial Edition: Part 2* (Washington, DC: U.S. Government Printing Office, 1970), p. 139; U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, 57, No. 1 (January 2010), 202.

white-collar employees, who have traditionally not unionized, is growing. In fact, the United States is called a *postindustrial* society because a shrinking proportion of its workforce labors in industrial occupations. Because of automation, robotization, and other technological developments, fewer workers are needed to make the products necessary for our lifestyle (see Chapter 5). The largest growth in the workforce has been in white-collar jobs such as sales, management, teaching, or clerical work (see Figure 2.3). A second reason for the decline in unions is that many corporations have relocated to states having weak union organizations or moved overseas where unions are weak or nonexistent and labor costs are low. A third reason for the decline in unions has been the emergence in the past few decades of active opposition to unionization efforts by employers (Bronfenbrenner, 2009). This opposition is often supported by a phalanx of consulting organizations who specialize in helping employers fight unionization efforts. In their fight to keep unions out of the workplace, employers have sometimes resorted to various forms of intimidation: Union activists are fired, companies threaten to move jobs overseas, and employers engage in lengthy and expensive litigation to keep unions from organizing. Finally, unions have been facing increased hostility from the American public, especially when they demand sizable pay increases in times of high unemployment. This hostility reflects a growing concern that unions have concentrated so much power in their organizations that they can raise wages, and therefore prices, to levels having little relationship to actual worker productivity. Other episodes during the past two decades provided further evidence that the public climate in the United States had become less favorable for labor unions. Possibly in response to this, labor unions have been noticeably less inclined to

use the strike in their struggle with corporations than they were in earlier decades (see Figure 2.4).

Big Government

The founding fathers of the United States intended for the federal government to be small and not extremely powerful. After all, the American Revolution was fueled by hatred for British tyranny over the colonies. After winning independence, the revolutionaries wanted to avoid a domineering federal government. So the role of the central government under the new Constitution was to be limited: to raise an army, to establish a national currency, and to provide an environment in which states and individuals could pursue the common good. And the U.S. government did remain rather small throughout the nineteenth century.

The twentieth century, however, has been witness to a massive growth of government in the United States and other industrial nations. Since 1950, the expenditures for all levels of government—federal, state, and local—in the United States have exploded from \$70 billion to over \$3 trillion (U.S. Bureau of the Census, 2009b:268, 304). This reflects a thirty-fold increase during a period when our population did not even double in size. The federal budget has grown from 10 percent of the gross domestic product just prior to World War II to 20 percent today (see Figure 2.5). However, despite what many people believe, the number of people employed by the federal government has remained about the same since 1970, with the number of full-time employees dropping slightly (U.S. Bureau of the Census, 2009b:320).

Several factors explain this growth in government. A major one is that industrial societies for centuries have been shifting responsibility for regulating social

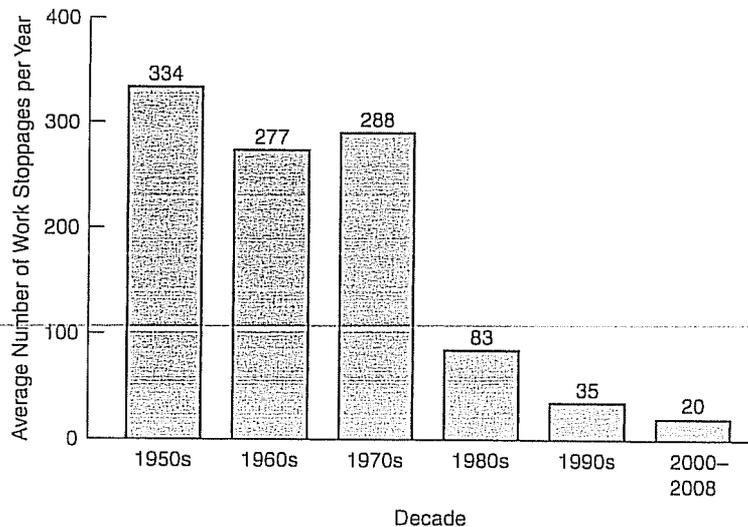


FIGURE 2.4 Average Number of Work Stoppages per Year Involving 1,000 or More People, 1950–2008.

Sources: U.S. Bureau of the Census, *Statistical Abstract of the United States, 1989* (Washington, DC: U.S. Government Printing Office, 1989), p. 413; U.S. Bureau of the Census, *Statistical Abstract of the United States, 2010* (Washington, DC: U.S. Government Printing Office, 2009), p. 420.

and economic policy to the central government. This shift has occurred because nations have grown so complex and interdependent that some central authority becomes increasingly necessary to regulate economic and social life. In the realm of social policy, for example, the government is now seen as having final responsibility for the sick, the poor, and others who are unable to take care of themselves and do not have families or other support networks to help them.

Responsibility for economic policy has also been shifted to the central government, and this has become a larger and more complex task as our corporate economy has grown. The freewheeling economic environment of the 19th century worked reasonably well until business empires became so large that they could monopolize large parts of the economy. Then government had to step in to regulate industry with the interests of the whole society in mind. Also, as

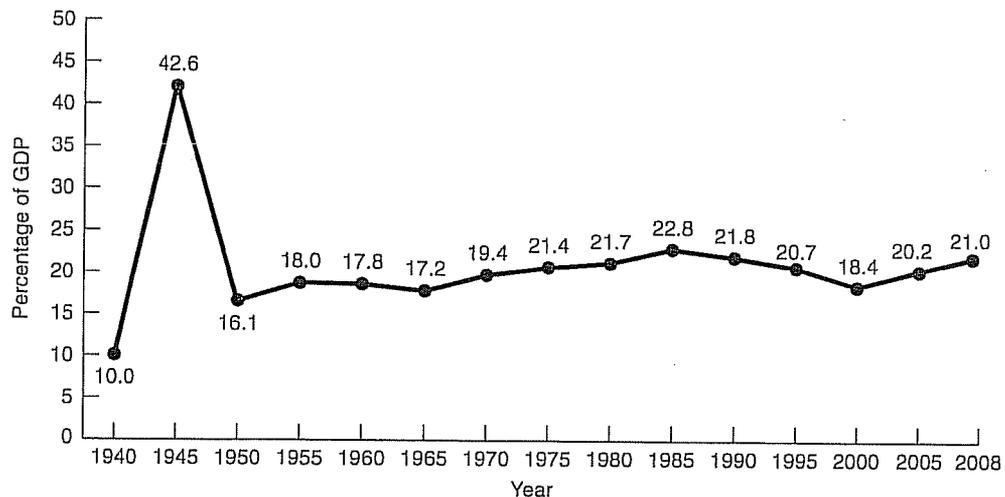


FIGURE 2.5 Federal Expenditures as a Percentage of the Gross Domestic Product, 1940–2008.

Sources: U.S. Bureau of the Census, *Statistical Abstract of the United States, 1978* (Washington, DC: U.S. Government Printing Office, 1978), p. 257; U.S. Bureau of the Census, *Statistical Abstract of the United States, 2010* (Washington, DC: U.S. Government Printing Office, 2009), p. 304.

technology produced increasingly complex and sometimes dangerous products and services, it grew beyond the ability of the average citizen to evaluate these products, and the government stepped in to offer control and regulation.

A second reason for the growth of government in the United States has been the emergence of the philosophy that social ills can be cured through aggressive spending policies and elaborate government-sponsored programs. This view came to dominate U.S. politics with Franklin D. Roosevelt's New Deal during the Great Depression of the 1930s. In an effort to combat the Depression, Roosevelt used government spending policies extensively to spread money and expand the federal government into many new areas. Massive government spending during World War II continued this infusion of government funds into the economy. This monumental military endeavor called for highly centralized decision making and control over resources, and this further enhanced the size and impact of the federal bureaucracy (see Figure 2.5).

A final reason why government has grown is that people demand many more services from it today than in the past. People rail against the costs of welfare, but they want the government to maintain the national park system, build monuments to Vietnam veterans, and keep our public libraries open and current. Few would want the government to stop providing insurance for individual citizens' deposits in banks and savings and loan institutions, and pleasure boaters whose engines die ten miles from shore are unlikely to rant about excess government expenses when a Coast Guard vessel rescues them.

This discussion of political and economic concentration focuses on the United States, but similar issues of the concentration of resources can be addressed on a global scale. The International Perspectives insert (pp. 34–35) does this.

Perspectives on the Concentration of Power

The recent historical trend, then, has been toward the concentration of power in the hands of large political and economic organizations. Is this inevitable? Is it necessarily bad? This section will analyze these issues using the sociological perspectives.

The Functionalist Perspective

According to the functionalist perspective, societies are made up of interrelated and interdependent parts, including economic and political institutions and practices

as well as cultural values. These various parts should be sufficiently integrated so that people can use them to work together toward common goals. As we have seen, cultural values in the United States place emphasis on the sanctity of individuals and their right to control their destiny, the importance of democratic decision making, and the value of free enterprise and private property. Yet mammoth corporations and big government threaten these values. When corporate managers in New York make a decision to close a factory in Pennsylvania and move the work to Malaysia, what should the thousands of displaced workers in Pennsylvania make of the value of individual autonomy and control? What control do they have over their fate? If economic power is concentrated in the hands of a few monopolies or oligopolies, then are free enterprise and competition able to provide the most benefit for the greatest number of people? For functionalists, one of the key elements in the problem of the concentration of power is the inconsistency between cultural values and political and economic reality.

Some inconsistency between values and reality is an expected part of the social disorganization that results from rapid social change. There are good reasons why economic and political organizations have become so large: Large size is functional in providing large numbers of goods and services to many people. For example, producing and distributing the vast array of goods that are a part of our lifestyle would be impossible without organizing ourselves into large nationwide business enterprises. The disorganization results because this bigness can develop in ways that conflict with cherished cultural values and threaten common goals. For functionalists, further change is needed whereby some adaptation and accommodation are made. Cultural values may have to change to recognize the reality and centrality of these mammoth structures in our lives. At the same time, new methods of exercising social control over corporations and government may need to develop to counterbalance their concentration of power.

The Conflict Perspective

From the conflict perspective, there is no necessary harmony among corporations, the government, and the various groups of citizens in society. Rather, society is made up of a variety of different interest groups that come into conflict with one another over the resources available. This conflict of interests is an inherent feature of economic and political life. The accumulation of power in the hands of a few is the outcome of the struggle for advantage in society. Large corporations and big government become the mechanisms in modern society through which powerful groups maintain

INTERNATIONAL PERSPECTIVES

Global Economic Concentration

Just as political and economic power is concentrated in the United States, such concentration can be found in the global economy, especially the concentration of power and resources in large corporations. For example, the world's corporate resources are concentrated in the hands of a very few nations—the highly industrialized, capitalist nations of North America, Europe, and Asia, which now dominate the world economy. Most of the largest corporations in the world are headquartered in a small number of nations ("Global 500..." 2009). Looking at the 500 largest corporations in the world, 313 of them—63 percent—are headquartered in the United States, Japan, and three European nations. Even more astonishing, 42 percent of those 500 corporations are found in just two of the world's more than 200 nations: the United States and Japan. So when we talk of global corporations dominating world trade, we really mean that a relatively few nations of the world dominate that trade.

This concentration of corporate wealth has been assisted by some global financial institutions that have emerged during the twentieth century such as the International Bank for Reconstruction and

Development (or World Bank) and the International Monetary Fund (IMF) (Danaher, 2001; Stiglitz, 2006). These global financial institutions lend money, guarantee private investments, help stabilize prices and currencies, and encourage private investment in development. They receive their funding from their member nations (most nations belong), but their decision making and voting power tend to be dominated by the wealthy industrial nations of Europe and North America. In short, they function much as a central bank for the world, lending money and expertise to support economic development in developing nations. However, the support is not free. These global institutions demand that nations organize their economies in ways that support global capitalism and corporate growth. Often this means reducing domestic spending on items such as schools, health care, and social services. It can also require that nations stress export industries rather than production for domestic consumption.

The global concentration of power has also been enhanced by global trade agreements that encourage free trade among nations and discourage hindrances

to trade, such as tariffs, restrictive labor policies, or environmental regulations. The most recent such trade agreements are the North America-Free-Trade Agreement (NAFTA) of 1994 and the World Trade Organization (WTO) of 1995. There has been much controversy about these trade agreements, especially in terms of who benefits and who loses from them (Nace, 2003; Stiglitz, 2004). In terms of benefits, one of the clear winners has been large, global corporations and their stockholders, who have enjoyed greater profits and more protection from government regulations and other limitations in areas such as environmental, safety, health, and labor policy. These large corporations, after all, have the resources to compete effectively in such a free-for-all trade environment. Also winning are consumers, who often pay lower prices for goods because of the freer trade. Clear losers have been industrial workers in the United States, whose jobs have gone to other countries, and workers in all countries who have fewer environmental, labor, health, and safety protections under these agreements. Also losing have been rural farmers in Mexico and other countries who cannot compete

their control over resources. From the conflict perspective, a conflict of interests and maldistribution of resources reflect a normal state of affairs.

Concentration of power is not by itself a social problem. It becomes a social problem, from the conflict perspective, when some influential group of people believes that it is not receiving its fair share of resources and strives to do something about it. These groups sometimes combine their forces and form social movements to improve their

lot. Through collective action, they can sometimes redress their grievances. Yet this does not mean that inequalities in power can be, or ever will be, eliminated. From the conflict perspective, collective action leads to a rearrangement of inequalities, not to their elimination. Furthermore, powerful economic interests are most often at a substantial advantage in this struggle. Economic advantage is routinely translated into political advantage, and control of the government can lead to the passage



Global financial institutions, such as the International Monetary Fund and the World Bank, are controversial elements of the global economic system. Proponents argue that they help spread prosperity around the globe while opponents claim that their policies perpetuate poverty and enhance environmental degradation.

against the large-scale agribusinesses that have taken over. Beyond this shifting of resources from one group to another, these trade agreements may have had

little long-term impact beyond what would have occurred with the previous trade policies. Still, the groups that benefit most from these trade agreements are also in the best

position to influence what present and future trade policies will be like.

These global corporations and their supporting organizations subscribe to the ideology that levels of world prosperity are unlimited, that such prosperity can extend to all people, and that economic development and capitalist expansion, largely unfettered by government intervention, is the best means to achieve such global prosperity. In fact, many supporters of these organizations claim that they will eventually eradicate poverty around the world. To support such economic development, world economies have become organized around market-oriented production and continual mass consumption. In such a global economic environment, political boundaries and national allegiances are becoming less important determinants of economic activity. Such global concentration has many ramifications for all nations, including its effects on opportunities for people in the United States. One focus of this chapter and the remainder of this book will be the extent to which people in the United States are affected—sometimes positively but often in a negative way—by this global concentration of power.

and enforcement of laws that benefit the powerful. The government becomes, in effect, a tool used by the powerful to protect their position.

Is There a Power Elite in the United States?

Researchers of both functionalist and conflict persuasions have conducted research that attempts to assess exactly how concentrated power and decision making

actually are in the United States. Out of these efforts, two major models of power in society have been developed: the power elite model and the pluralist model.

THE POWER ELITE MODEL In the 1950s, the sociologist C. Wright Mills (1956) proposed what has come to be called the power elite model to explain the exercise of power in the United States. Deriving his approach from the conflict perspective, Mills argued

that *there exists a small group of very powerful people who make just about all the important decisions in the United States*. This power elite consists of the people who hold top positions in the government, business, and the military. Included in this group are the president and the cabinet, the executives who run the large corporations, and the generals and admirals who run the Pentagon. According to the power elite model, the government, corporations, and the military dominate our lives today, and it is from controlling these spheres that power is derived.

According to Mills, the power elite is a cohesive group, and the interests of its various members in the government, the military, and corporate sectors tend to coincide. There are elaborate social networks that link the members of the elite to one another. For example, they attend a small number of private schools and universities, vacation in the same spots, and go to the same parties. All of this social contact helps them to maintain a consensus about what is in their interests and to develop strategies for ensuring their success. Below the elite, there is a middle level of diverse interest groups including most members of Congress, professional organizations, many lobbyists, and most unions. They participate in making decisions about issues of secondary importance that have little effect on the elite. At the bottom of the political structure in the United States is the great mass of citizens who have virtually no power because they do not belong to those organizations wielding power. These people may vote, but Mills viewed this privilege as meaningless because most elected officials are in middle-level positions, whereas real decision-making power rests with the elite. In addition, the power elite is highly influential in determining which candidates the political parties will place before the electorate. One source of such influence is the mass media. The Applied Research insert analyzes how the media, through concentration and globalization, have become a part of the power elite.

THE PLURALIST MODEL Some sociologists argue that Mills's view of the United States is distorted and overly conspiratorial because there is actually little concentration of power and coincidence of interests among the elite (Kornhauser, 1966; Rose, 1967). Instead, the pluralist model views power as *pluralistic, or spread over a large number of groups with divergent values, interests, and goals*. According to sociologist David Riesman (1961), there are veto groups in society with the ability to block decisions that might adversely affect their positions. For example, labor unions can exert considerable influence on issues affecting their members, such as raising unemployment

benefits or minimum-wage laws. Similarly, farmers may fight to stop the lowering of price supports for farm products. To be sure, pluralists recognize that some groups have far more power and other resources than other groups, and there is considerable inequity in society. However, they argue, there is no single, cohesive, dominant elite, and power is not centralized in the hands of a few.

Below the elite, according to the pluralists, is the unorganized, but not entirely powerless, public. With the vote, the public can exercise some constraint over the behavior of those in power. In addition, there are other ways for the public to exert influence on more powerful groups. The environmental movement, for example, has used its ability to organize large numbers of people for public protest as a tool in struggling against corporate power. Especially in the areas of air pollution and the use of pesticides, these groups have organized seemingly powerless people to successfully shape public policy (see Chapter 14). Given these examples, pluralists dispute the power elite view and argue that the mass of the citizenry can effectively exert an influence, even against what seem to be formidable corporate foes.

ASSESSMENT OF THE MODELS Research suggests that the realities of holding power in the United States are more complex than either the power elite model or the pluralist model alone suggests. For example, political scientist Thomas R. Dye (2002) reviewed the corporate and governmental sectors in the United States and located approximately seven thousand positions in corporations, the government, and the military that direct most of the nation's economic and social policy. According to Dye, it is this very small group of people who represent Mills's power elite. Sociologist G. William Domhoff (2006) went a step further by studying the social backgrounds of the people who occupy these elite positions. He discovered that members of the upper class participate in an elaborate network of informal social contacts, just as Mills suggested. However, Domhoff did not find the cohesiveness or coincidence of interests among these people that Mills implied. Nevertheless, there are significant linkages and influence peddling among the various sectors of the power elite. Members of the corporate elite, for example, make sizable contributions to both the Republican and Democratic parties in hopes of influencing the decisions of the president, congressional representatives, and other politicians. In fact, some would argue that, because of political contributions, corporate lobbying, and other forms of influence, the corporate elite exercises overwhelming control over politicians, regulatory agencies, and

government bureaucrats. In this view, the average citizen has little influence and is largely at the mercy of corporate goals (Greider, 1992).

Research on the power elite has also focused on links between business and the military. In his final speech before leaving office in 1961, former President Dwight D. Eisenhower, himself a five-star general during World War II, spoke of the **military-industrial complex**, referring to *the relationship between the military that wants to purchase weapons and the corporations that produce the weapons. Both the military and the corporations benefit from a large military budget and from policies favoring military solutions to international problems.* The potential danger of a powerful military-industrial complex is that defense decisions and the development of weapons systems may be influenced by what is beneficial to the military and defense industries rather than by what is necessary for national security. One way in which the coincidence of interests among members of the military-industrial complex might occur is if there were a periodic interchange of top-level personnel between the military and defense industries. And, as Mills and other researchers have shown, such interchanges do occur and are extensive (Project on Government Oversight, 2004).

Although there clearly are important links between the military and corporations, suggesting a military-industrial complex, the picture is considerably more complicated than this. Many corporations actually oppose increases in defense spending, fearing that these will adversely affect the economy and result in higher taxes. In addition, the military-industrial complex, although important, does not exist in a vacuum. There are other powerful groups, even among the power elite, with competing interests, and there are less powerful groups that still wield considerable power, especially on domestic issues.

In short, both the power elite and pluralist models offer significant insight into the question of who rules the United States. As the power elite model suggests, a relatively small group of people hold enormous power. It controls much of foreign policy and makes decisions that shape the direction of economic development. This ruling group, although possibly not conspiratorial or completely cohesive, ranks far above most other citizens in political, economic, and social clout. Yet as the pluralist position suggests, many groups that are not a part of this elite can occasionally wield power, especially on domestic social policy and local and regional issues. This is the realm in which many of the battles over solutions to social problems discussed in this book are likely to be fought. And most people in the United States have an

opportunity to play a part in these less powerful, but still quite important, groups.

The World Economic System

The power elite and pluralist models can be applied to other nations around the world, and each nation would have its own mosaic of power elitist and pluralist tendencies. Some nations would show more elitist concentration than the United States, whereas others would show less. To understand the emerging world economic system, however, we need to look at some considerations that transcend national boundaries. Although there are a number of reasons for the dramatic concentration of economic resources on a global scale, one important explanation is that it results from the centuries-long historical expansion of capitalist economic systems around the world (Schaeffer, 2009). **World-system theory**, pioneered by the sociologist Immanuel Wallerstein (1979), posits that *the world's nations have become increasingly interdependent, both economically and politically, and are now linked in a worldwide system, with some nations having more power and resources than others.* The major force in this world system is capitalism and its emphasis on market forces, profit making, and surplus accumulation. Capitalism's drive to expand and find new markets creates a pressure to seek out new territories in which to invest. In fact, one of the unique characteristics of capitalism is its commitment to economic growth and expansion. The world expansion of capitalism began in the fifteenth century with the European voyages to the new world to find natural resources and trade that would be profitable for the European colonial nations, and it continues today as corporations seek new markets in a global economy.

Today, corporations' search for new markets has created a global economy with an international stratification system. According to world-system theory, a hierarchy of nations has emerged, divided roughly into *core nations* (capitalist, technologically advanced nations searching for opportunities to expand investment) and *peripheral nations* (less-developed nations that provide cheap labor, produce food, and serve as a source of raw materials). There are also *semiperipheral nations* that are large or have some special resources, and because of this they fall somewhere between the two classifications—less dependent on the core nations and sometimes acting as core nations themselves (Bornschieer and Trezzini, 1997; Chase-Dunn and Grimes, 1995). The peripheral and semiperipheral countries are also sometimes called third-world or less-developed countries.

In this international stratification system, the core nations dominate and exploit peripheral nations. The

APPLIED RESEARCH

Corporate Concentration and Globalization of the Media

That the media are powerful is no secret. The press in the United States, in fact, is intended to be powerful and to serve a free society as an alternative and independent source of power to the government and large corporations. Yet the media are themselves private companies and usually corporate in structure. They pursue greater profits and larger amounts of power in the same fashion as other corporations discussed in this chapter. And, as has occurred in other corporate sectors, there has been a concentration of power among the media. By the early twenty-first century, a race is on, with a few megacorporations trying to control the print, video, and electronic media around the globe. Fewer than ten corporate giants now control most of what appears in the global media: Time Warner, Disney, the News Corporation, General Electric, Viacom, and Bertelsmann (Dye, 2002; McChesney, 2004). Figure 2.1 describes the holdings of two of these corporate superpowers. Together, they own almost all of the fifty most popular cable television channels and most of the daily newspapers in the United States. Despite the existence of more than twenty-five thousand media outlets in the United States, a small number of corporations controls most of the business in daily newspapers, magazines, television, books, and motion pictures.

What is the impact of this global concentration on the role of the media in society and in the analysis of social problems? We saw in Chapter 1 that the media play an important

part in the construction of social problems—shaping people's beliefs about which conditions should be considered social problems, the nature and extent of the problems, and which solutions might be effective and achievable. When capitalist corporations control much of the world communications structure, corporate and capitalist viewpoints on such social problems as the causes of crime and poverty take an increasingly dominant place in public discourse and the media. Competing and dissenting voices emanating from less powerful constituencies are less likely to be heard, especially on a global stage (Bagdikian, 2004; McChesney, 2004).

A related consequence of the corporatization and pervasiveness of the modern media is *hypercommercialism*: the tendency for every aspect of social life and social intercourse to be viewed as a "product" whose production and distribution is determined by its commercial value. In relation to social problems and their solutions, this can especially influence journalism and the production of news. The trend has been a gradual erosion of the wall separating news from the commercial or advertising division of newspapers, television networks, and other media outlets. When this happens, what is presented as "news" depends in part on what is profitable for the corporate owners. So, instead of a free flow of ideas and information about social problems and their solutions, we have a controlled flow in which problems are defined and solutions assessed on the basis of what

benefits a relatively small number of people. Furthermore, the idea that the media should provide some public service has gradually diminished. Instead, what is emerging is a media domain designed to serve mostly private investors rather than the public good.

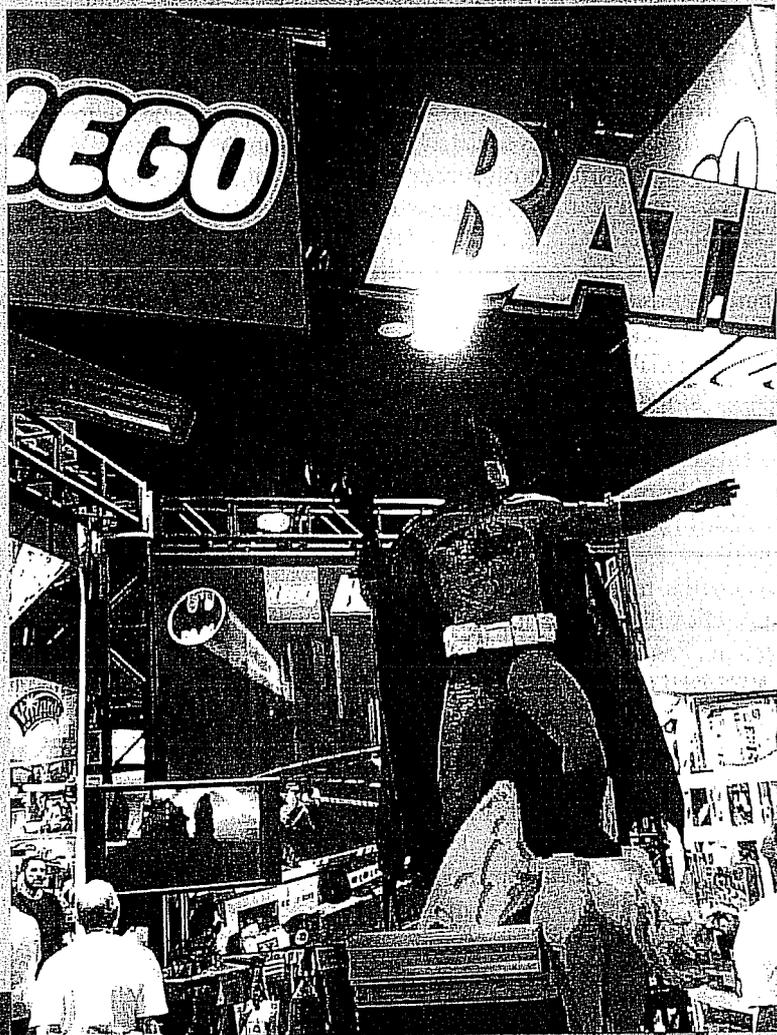
The media megacorporations shape the public debate over social problems in a number of additional ways. They make large campaign contributions to politicians who support their particular viewpoint on issues. There is also an interchange of personnel between the government and the media as former politicians and government officials take jobs in the media and journalists and media executives gain elected or appointed government offices. The more this phenomenon occurs, the more the line between government and media becomes blurred and the independence of the media is compromised. Also media outlets provide an influential platform from which these corporations can promote their supporters by giving them positive exposure and attacking those with whom they disagree.

Although the trends just described have been identified in much research, additional applied research suggests that reality is more complex and subtle (Demers, 2002). In the newspaper world, for example, as companies become larger, form monopolies, and establish links with the power elite, some develop a viewpoint that has been labeled *corporate liberalism*, which tends to look positively on unions, social welfare programs, and

government regulation. However, it is not a socialist position, as discussed in this chapter, because corporate liberalism retains the belief that a corporate economy based on private enterprise is the most efficient economic system. In this view, government programs and regulations are intended to protect people from the weaknesses or excesses that can be found in capitalism. In fact, media following this corporate liberal ideology may sometimes be very critical of big government and corporate capitalism, yet this criticism stems not from an opposition to capitalism but from a desire to promote responsible capitalism. One latent function of such criticism is to protect capitalism from challenges and to discourage interest in more radical changes that would significantly threaten corporate control by the power elite.

The great concern, then, of applied social researchers is that concentrated power over public information is potentially antidemocratic. As media specialist Ben Bagdikian (2000:x, xv) put it:

With the country's widest disseminators of news, commentary, and ideas firmly entrenched among a small number of the world's wealthiest corporations, it may not be surprising that their news and commentary is limited to an unrepresentative narrow spectrum of politics.... Politicians hesitate to offend the handful of media operators who control how those politicians will be presented—or not presented—to



These are some of the media products of Time Inc., the largest magazine publisher in the United States and the United Kingdom. It has brands and franchises in television, satellite radio, cable video on demand, online, mobile devices, and so on. Opponents of such concentration fear that media megacorporations will threaten democratic institutions.

the voters . . . today the combination of the media industry and traditional corporate power has reached dimensions former generations could not match.

The additionally disturbing aspect of such a trend is that, as the

dissenting voices are silenced, people become less aware that they are being presented a distorted view, because they have fewer guideposts with which to measure the accuracy or completeness of what they see, read, and hear.

key to the system is trade, with some nations being goods exporters while others serve primarily as a labor pool and source of natural resources. In fact, some world-system theorists argue that the nature of capitalism is such that it creates social inequalities through its tendency to distribute resources unequally. Such inequalities occur within nations, which have both rich and poor people, and at the international level, where the policies of core nations help keep peripheral nations less developed. The core nations extract natural resources from the peripheral nations and use them as cheap labor pools to produce agricultural and industrial goods that are then exported for profit. Through political, economic, and sometimes military intervention, the core nations encourage the emergence of political and economic elites in the peripheral nations that will support and assist in economic expansion of the core. This elite in the peripheral nations benefits from the world system and supports policies that will maintain its role in the world capitalist system. For example, the political elites in some less-developed nations in Latin America have discouraged labor unions that would work to increase the pay and improve the working conditions of citizens of those nations because unions might discourage investment by corporations from core nations that are looking for a cheap and passive labor force. Although elites in the peripheral nations may benefit from this, it tends overall to result in a shift of wealth from the periphery to the core as the corporations of the core nations drain profits from the periphery.

The world economic system, then, divides people into three groups. An international elite of well-to-do people is quite comfortable materially, and some of its members can become very wealthy. An international working class struggles to survive, with its fate determined mostly by decisions made by multinational corporations in core nations; even in this group, people can be thrown out of work and suffer serious economic declines because global corporations shift work to areas with lower labor costs. Finally, an international lower class lives in poverty with little hope of their circumstances improving. It was mentioned earlier that global corporations and their affiliated financial organizations hold the ideology that world capitalism will eliminate poverty. World-system theorists are more skeptical regarding whether this can happen. Looking at the historical record, they see world capitalism benefiting the elites and some others while exploiting many less powerful groups around the world. To this point, research is not terribly supportive of the notion that globalization will benefit all people (World Commission . . . , 2004). Instead, the research shows that the divide between rich and poor nations is growing, that poverty is not declining, that

the inequitable distribution of wealth and power around the world persists, and that the increased trade and investment produced by globalization has benefited primarily a relatively small proportion of the world's people.

Problems Created by the Concentration of Power

This section will explore some of the problems created by the concentration of political and economic power, both in the United States and around the world.

Effects on Competition

One of the major problems is that corporate growth can restrict competition, which we have seen is one of the core characteristics of capitalist economies. When economic power becomes concentrated in an oligopolistic or monopolistic fashion, the individual consumer can become a relatively powerless force in the marketplace in comparison to corporations. As has been seen, in an economy based on competition, companies that are inefficient or produce inferior merchandise are likely to be driven out of business because consumers will purchase the less expensive and higher quality products of more efficient competitors. In this kind of economy, consumers have a degree of control over businesses through their discretionary buying power in the marketplace. In a less competitive environment, however, the consumer is at a substantial disadvantage because corporations are able to manipulate prices, quality, and product availability in ways that benefit them and without the controlling force of competition. As these processes continue, power and wealth continue to be concentrated in the hands of a small number of gigantic business enterprises. The larger corporations can offer poorer quality merchandise to enhance their profit structure, and consumers suffer.

Conflict Between Societal and Corporate Goals

The concentration of economic power in corporate structures also raises the issue of whether corporations pursue goals that are broadly beneficial to society or that enhance the narrow interests of particular groups (Schaeffer, 2009). Large corporations control such vast resources that their activities shape in very

substantial ways the lives of average people. With the primary goal of corporations being to make and increase profits and to ensure corporate growth, corporations may not necessarily act in the best interests of other groups or of society as a whole. For example, when a corporation leaves the United States for a country that has lower taxes and labor costs, the United States loses jobs and tax revenue, and this loss can bring about increases in unemployment, poverty, and related social problems such as crime and alcoholism. Economic decisions based solely on the criterion of corporate profit, therefore, may create or intensify social problems that have negative effects on other groups in society.

On a global scale, there is considerable controversy over whether the policies of organizations such as the World Bank or the International Monetary Fund (IMF) benefit all, or even most, citizens of the nations in which they operate (Danaher, 2001; Stiglitz, 2006). Although many people do benefit, the policies have also meant drastic reductions in wages for some; lowered expenditures for health, education, and other social services; and devastating degradation of the environment. In some cases, tens of thousands of poor people have been displaced from their homes and resettled, often in less desirable areas, in order to make way for dams, logging activities, or large-scale agricultural and industrial developments. In fact, some dispute whether these organizations have been very successful in their stated goal of promoting development through large loans to governments. Critics of these organizations argue that their practices have dislocated people, exacerbated economic inequality and ethnic tensions, and promoted environmental degradation while benefiting corporations, elites, and a small segment of the workforce.

Threats to Democratic Institutions

The globalization of corporate control in the past century has created new or enhanced threats to democratic practices and institutions around the world (Stiglitz, 2006). These large corporations are sometimes wealthier than the nations in which they operate, giving the corporations enormous power from which to demand that a country adopt policies that are beneficial to the corporation. In fact, governments in smaller nations may deliberately avoid political and economic policies inconsistent with the goals of the corporations. In these ways, social policies in some nations may result not from the democratic wishes of the populace but from implied or explicit demands from powerful corporations. Corporations have intervened in the democratic process of nations

by supplying campaign funds to particular political candidates or, in a few cases, by attempting to overthrow elected officials (Barnet and Cavanagh, 1994).

In the United States, corporations and wealthy individuals have played a very influential part in the political process through the funding of election campaigns. Various laws have been passed over the years to limit the amount that businesses and individuals can contribute to political parties and candidates. However, in a key 2010 decision, the U.S. Supreme Court ruled that the government could not limit the amount of money that corporations can spend to try to influence political elections (although it did not remove limits on how much can be given directly to candidates or political parties). While the ruling probably also applies to unions, corporations have far larger resources to devote to elections and thus will likely have a far larger impact on elections. So corporations will remain massively influential in U.S. electoral politics. The power of corporations not only helps elect politicians but also funds public relations campaigns to sway citizens' attitudes on issues from health care, to crime, to welfare reform. In some cases, the corporate agenda and viewpoint can overwhelm any competing voices. The danger is, of course, that these few powerful corporate actors will control civic life and public debate to the point that democratic institutions and procedures are undermined. With the globalization of the world economy, this corporate control of political life will operate at an international level.

Global economic institutions, such as the IMF and the World Bank, represent very organized threats to the democratic process in some nations. Because these world institutions often operate in secret, ordinary citizens and their governments may have little knowledge of or input into what these international organizations do. Dispensing large amounts of money and making policies at the international level, these organizations have become almost quasi-governments themselves, whose policies affect the lives of people around the world. For example, as a condition of supporting a nation, these organizations often require the establishment of an administrative structure within the government, partly under World Bank or IMF control, that may circumvent or ignore the policies of elected or appointed officials in government. Corporations and their world financial institutions are private or semiprivate organizations and as such are largely beyond democratic control. The result is that the important economic and political decisions that shape the lives and opportunities of people around the world are in the hands of these powerful private and semiprivate entities. Their decisions often change traditional cultures and ways of life as they push social and political changes that further economic development.

The Dwindling of Unions

Traditionally, unions have enabled employees, who have relatively little power unless they organize, to combine their efforts and counter the substantial resources available to their corporate employers. Unions remain powerful in the United States, but, as described earlier in this chapter, the social and economic environment in which they function is shifting. Although predicting an outcome is difficult, many people believe it unlikely that unions will play the same role in a postindustrial society that they did during the industrial period. This may mean that corporations will have a freer hand in establishing wages and working conditions. Especially if unemployment levels rise, as they did in the 1980s, workers will be competing with one another for a limited number of jobs, and union employees willing to strike over labor issues may find themselves replaced by other workers for whom a lower paying job is better than no job at all. This happened in 1992 when thirteen thousand workers struck the Caterpillar Corporation. Tens of thousands of people applied for jobs to replace the strikers, showing that they would be content to work for wages and benefits the strikers were refusing. The strikers caved in and went back to work out of the fear, probably realistic, that they would be replaced if they pushed their demands. Some companies have been accused of using high unemployment rates as a tool to attack unions and diminish their strength. As this occurs, many workers, especially those with few skills, may find it more difficult to locate jobs that pay what they consider a decent wage, and research shows that, as the extent and power of unions have dwindled in industrial nations, greater levels of social

inequality have resulted (Freeman, 1993). This may mean that some people will confront a way of life that is little better than, and possibly worse than, that of previous generations.

Worker Dislocation and Unemployment

Over the past forty years, the percentage of unemployed people in the United States has fluctuated considerably. Today, the unemployment rate is as high as it has been at any point during that period, reaching over 10 percent in 2009 at the height of the Great Recession of 2008–2009 (see Figure 2.6). Teenagers, African Americans, and other minority groups are most heavily affected by this problem, and they exhibit considerably higher unemployment rates than whites. However, these official unemployment statistics do not include people who are unemployed but have stopped looking for a job—so-called discouraged workers. It also does not include those who are underemployed, working part time, or working at a temporary job that does not pay enough to support a family. When these people are counted, the unemployment problem in the United States is even more grave.

One reason for this persistent unemployment in the United States is the periodic recessions and depressions with which modern capitalism seems permanently afflicted (Roubini and Mihm, 2010). The recession of 2008 was caused by lax regulation of banking and the financial markets along with risky and speculative investment and trading practices in the financial markets and the accumulation of excessive amounts of debt. The consequence of the

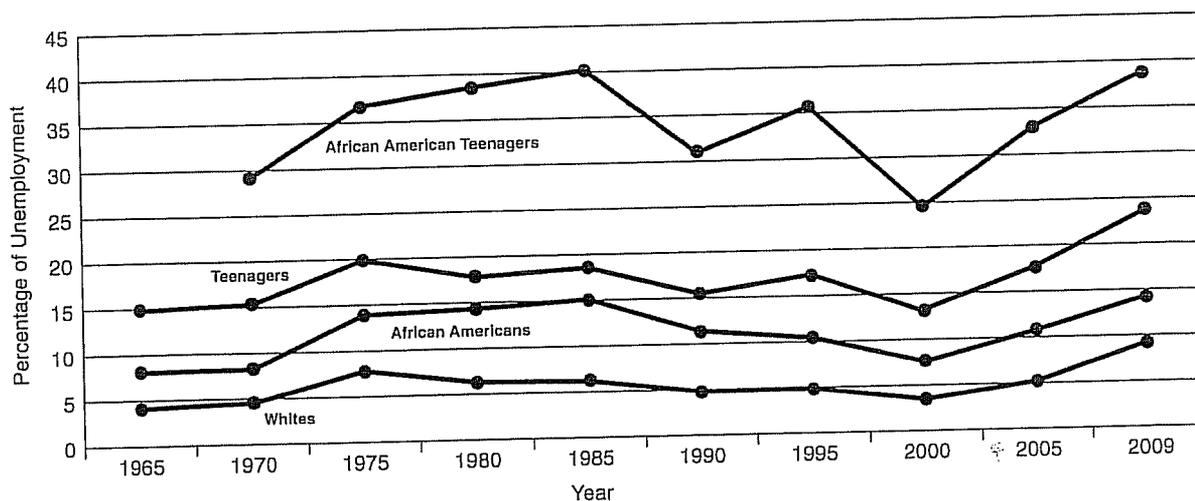


FIGURE 2.6 Unemployment Rates Among Selected Groups in the United States, 1965–2009.
Sources: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, January, various years.

recession has been soaring unemployment and worker dislocation. And it looks like it will be many years before the unemployment rate drops. This recession is producing more chronic unemployment (people who are out of work for a long time) and more discouraged job seekers (those who quit trying to find a job) than was the case in earlier downturns. Some economists believe that many of the jobs lost in this recession will be permanently lost.

Another reason for this persistent unemployment in the United States has been increased competition for jobs in the world economic system (Baldwin, 2003). This has resulted in what is variously called *downsizing*, *outsourcing*, *offshoring*, or *offshore outsourcing*. Businesses in the United States have closed and moved overseas, or they contract out many tasks to low-wage, usually nonunion manufacturers in the United States or other countries. Countries in Latin America and Asia have been especially receptive to U.S. businesses. The minimum wage in the United States is more than \$5 per hour, while well-paid workers on automobile assembly lines can earn \$24 per hour. By contrast, global sportswear companies headquartered in the United States pay young girls and women in Indonesia \$1.35 per day to assemble sports shoes for export to the United States (Barnet and Cavanagh, 1994). Hundreds of U.S. companies have left the United States and opened up shop in *maquiladoras*, factories in northern Mexico that take advantage of the cheap labor, weak unions, and lax environmental regulations to assemble products and export them to the United States. Many thousands of U.S. jobs have been lost to these *maquiladoras*, which have the best of both worlds—cheap labor and easy access to U.S. markets to sell their products.

This global competition for jobs is no longer limited to manufacturing or blue-collar jobs. The twenty-first century has seen this offshore outsourcing extend into service and technology jobs, including jobs held by well-paid and highly educated professionals (Lohr, 2003). Computer programmers, computer technicians, and even physician-radiologists find themselves competing with less-expensive workers in other countries. The Internet and modern communications technologies have eliminated the requirement that jobs must be done in particular geographic locales.

Although world competition is probably the major factor in the growth in unemployment in the United States, other factors contribute. There has been considerable growth in the teenage labor market, and the number of women joining the workforce has grown over the decades. Still another dimension of the problem is automation, which is discussed in more detail in Chapter 5.

Workers thrown out of work by foreign competition are called *displaced workers*, numbering 8 million people between 2001 and 2008, and their ranks continue to grow as more workers are displaced (Moore, 1996; U.S. Bureau of the Census, 2009b:385). Some displaced workers never return to the labor force. Those who do often find themselves unemployed for some time—one and a half years, on average—and almost all experience a permanent decline in family income because of their job loss. Many are forced to accept irregular work at low-paying jobs with few fringe benefits. In addition, African Americans and Hispanic Americans are hit much harder by job displacement than whites. These groups are more likely to be displaced, are jobless longer, and are much less likely to be reemployed (Kletzer, 2001; Uchitelle, 2006).

Unemployment, as tragic as it may be, is not the only form in which difficulties confront workers in the United States. A related problem is that the jobs available to them, especially at the low end of the income scale, may not pay as well as they did in the past (Mishel, Bernstein, and Schmitt, 2001; Rank, 2004; Tonelson, 2000). The proportion of jobs that pay poverty-level wages has been increasing for the past three decades, and the new jobs created in recent decades have tended to be at the low end of the pay scale. In addition, corporations have resorted to hiring more temporary and contract workers because they can save on salaries or fringe benefits and have more flexibility in terminating such employees.

Abuse of Government Authority

There are a number of reasons why massive government bureaucracies can create problems. One reason is the opportunity for the abuse of power by government officials. When government is large and distant from its constituency, isolated bureaucrats are freer to make decisions that benefit themselves and their associates but not necessarily other groups in society. In fact, the growth of big government can become problematic through collusion between government and big business. The Department of Defense, for example, may look the other way when industries with defense contracts have enormous cost overruns. This problem speaks to the very heart of freedom in a democratic society: Are people able to control the actions of elected or appointed officials? If anything, many people in the United States now assume that their government will keep secrets and hide misdeeds from the citizenry. Beginning with Watergate in the 1970s, the exposure of government misdeeds and cover-ups seems to have become routine. In the 1980s, the Iran-Contra scandal was revealed, in which government



These women are working in a maquiladora in Mexico. Such factories often drain jobs out of the United States and exploit workers in Mexico through low wages, long hours, and poor working conditions.

officials were said to have diverted funds to support the Nicaraguan contra fighters even though Congress, which represents the people, had voted against this policy. President Clinton was confronted with the Whitewater scandal, with charges that he covered up some of his financial dealings. In 2003, President Bush was charged by some with distorting, if not outright lying about, the evidence of the threat posed by Iraq to the United States in order to gain support for the invasion of Iraq. In a free society, such abusive and sometimes secret exercises of government power are highly detrimental to the democratic process; in a democratic society, the belief that the government is deceiving the people is an insidious cancer that threatens important group values.

A second reason why big government is a problem, according to those who take a laissez-faire stance, is that big government is inherently detrimental to society because it funnels resources away from the private sector where they could be put to better use. Because the government is not constrained by competition and demands to make a profit, it can

“afford” to be highly wasteful. Government can lose money and still maintain existing programs if politicians continue to provide tax revenues. If tax money is not available, the government can borrow money and create a deficit. In fact, budget deficits played an important part in the economic and political life of the past few decades. The major concern with budget deficits is that the government must borrow money to operate and thus competes with corporate and other borrowers for the finite amount of loan money available. This competition increases the cost of loan money, which might lead some businesses to forego business expansion or capital improvements. When businesses forego expansion and improvement, there is less economic growth and fewer jobs.

A final reason why large government can create problems involves whether individuals can play significant roles in the decisions shaping their lives. As government grows, most people find themselves further and further removed from those who actually make the decisions. As C. Wright Mills (1956) pointed out, the key decision makers are usually those people who

control the large economic and government bureaucracies in modern societies. As the government grows, the values of individualism and autonomy may become increasingly remote and irrelevant. Many groups feel powerless, and there is real danger that their interests will not receive a fair hearing in the halls of political power.

Future Prospects

What—if anything—should be done about big business and big government is highly controversial. The major programs and policies that have been discussed or implemented will be analyzed.

Reducing Government and Deficits

Most politicians are strong supporters of reducing the size of government and also reducing, if not eliminating, the deficit. Yet, the size of the federal budget grows every year, even though the number of government employees has not grown. This persistent growth in the government suggests that the reasons presented earlier in this chapter to explain why government has grown so large during the past two centuries remain powerful forces in keeping government large. It is easy to propose reducing government by cutting such programs as welfare, but all of the public assistance provided by the federal government amounts to only about 8 percent of the total budget. Defense spending, on the other hand, consumes 19 percent of the budget, and the two major programs for the elderly (Social Security and Medicare) consume one-third of the budget. This does not mean that cuts cannot be made in both the deficit and the size of government, but reducing them is much more difficult and complicated than is often imagined because virtually every interest group benefits from some aspect of government spending. Then, the deficit soared following the Great Recession of 2008 because increased government spending was seen as essential in preventing the economy from completely collapsing and causing even higher levels of unemployment.

One approach to reducing the size of government is *privatization*: have private corporations provide some of the goods and services previously provided by government agencies and employees (Shane, 2007). Today, many more people work under private contract for the government than actual government employees. However, this solution does not address the overall problem of the size of government and the concentration of power and resources; it merely shifts

the growth concentration from government agencies to private corporations. In fact, this may account for why, as discussed earlier, government budgets and deficits continue to grow while the number of government employees remains the same or falls slightly: The government is still doing all these things but using private contractors to achieve them. In addition, privatization may have negative consequences for other problems discussed in this chapter. For example, private contractors tend to pay their workers less than the government and are much more hostile toward the unionization of employees. So social inequality may be more extensive and workers worse off with privatization.

Government Reorganization

Whether the size of government is reduced or not, measures can be and are being taken to moderate the negative effects of big government.

Politicians and government officials can be made more responsive to the demands of the citizenry. Because of the Watergate scandal and similar political episodes since the 1970s, politicians are now required to disclose a great deal more about their personal finances, and this offers the public greater scrutiny over possible conflicts of interest. There is still, however, much more that can be done. Sociologist Herbert J. Gans (1988), concerned that most people in the United States will not become more politically active, has suggested some creative ways of increasing the responsiveness of elected government officials. One is to increase the staff available to them for providing constituency services. Each official would thus have more workers available to find out what his or her constituents want and to provide the services. A second suggestion is for more, and more diverse, public opinion polling organizations. After all, most such organizations today are very close to the political and economic elites and tend to gather information that those elites find useful. According to Gans, polls should tell elites what the public has on its mind about the issues that are important to it. Polls should tell us what should be on a politician's agenda, not what we think about a politician's already established agenda. All of this would give citizens more input into the workings of government.

Government agencies and officials can be regulated much more closely than at present. This, of course, might mean that we would need more agencies to do the regulating, but not in all cases. Sometimes, bureaucrats in a government agency can do the regulating themselves if they are protected against reprisals should they uncover something detrimental to those heading the agency. In many cases, such whistle-blowers are fired

by the agency, but when their cases come to public view, they often find considerable support among the public. Further protections for, and even rewards given to, such internal auditors could make government bureaus more sensitive to decisions that are viewed unfavorably by the public (Project on Government Oversight, 2005).

Government programs can be made more accountable. Policy analysts David Osborne and Ted Gaebler (1992) suggest a shift in focus from government services based on civil service regulations, which try to specify in detail *how* government services should be provided, to an “entrepreneurial government” that focuses on *results*. The idea is to establish measurable performance goals or outcomes as a part of government programs, and then use competition and decentralized authority to achieve the goals. This might call for privatizing some government services if private industry can do the job better than government bureaus can. But Osborne and Gaebler recognize that government is better than private industry at doing some things, especially when issues of fairness and equity come into play. Some programs, such as Head Start (see Chapter 6), currently do focus on results, and privatizing these services has so far not shown any advantages. The problem in the past, they argue, has not been government per se but the inefficient bureaucracy that government had become.

Collective Action by Citizens

In a democracy, one important way of controlling the actions of business and government is through collective, organized actions by citizens’ groups to change the law or redirect social policy. In the past few decades, many such groups have emerged as watchdogs over whether government and business are acting in the public interest (Rimmerman, 2010).

Among the most effective citizens’ groups over the years have been those originated by consumer advocate Ralph Nader and his associates. Nader first came to public attention in the 1960s when he revealed the extent to which General Motors was willing to make unsafe automobiles in order to increase profits. His campaign resulted in legislation that corrected many of the abuses in the auto industry and also pushed the government into the role of watchdog over automobile safety. Eventually, a whole variety of consumer protection groups—often referred to as *Nader’s Raiders*—grew up around Nader’s efforts. Their collective efforts contributed to the passage of consumer protection legislation in many areas: to ensure quality meats, to enhance safety procedures in mining and other occupations, and to restrict the use of chlorinated fluorocarbons, to name just a few.

Concerns about environmental pollution and degradation have also spawned a great deal of collective action by the citizenry. Beginning in the late nineteenth century with the Audubon Society and the Sierra Club and continuing with contemporary groups such as Greenpeace, interest groups have lobbied for social policies to protect and preserve our natural environment. Greenpeace, for example, has focused some of its attention on the more environmentally damaging activities of the World Bank. These collective activities are discussed in Chapter 14.

Some public interest groups, such as Common Cause, have focused on issues of election campaign financing. Its major concern has been that interest groups with substantial economic resources, such as large corporations or wealthy individuals, control the political process by “bribing” public officials with large donations to their campaigns. Recent legislative efforts to control this are mentioned earlier in the chapter, and their limitations are discussed. Reformers have suggested more extreme efforts to limit the influence of the powerful including allowing only public financing of campaigns and limiting the amount each candidate is given, placing spending limits (rather than contribution limits) on political campaigns, or providing free television time to candidates. Some states have implemented some of these reforms, and this is likely to be a continuing area of experimentation in the future. If an effective campaign finance reform plan could be found, it would help to moderate the control of corporations over the political process and return some control to the hands of average citizens.

Globally, collective action is also an important deterrent to government actions, international corporations, and international financial organizations. The term *nongovernmental organizations*, or *NGOs*, is now used to refer to grassroots citizens’ organizations that have emerged to fight the intrusive and destructive policies of governments or organizations such as the World Bank and the IMF (Boli and Thomas, 1997). These NGOs use resources they have available, including education, boycotts, and demonstrations, to stop or change activities with detrimental social or environmental consequences. The NGOs are usually small and focus on specific problems that a village or a people confront. International networks of NGOs have emerged to provide mutual help through the exchange of information, resources, and personnel. These NGOs have had some success in alleviating the negative impacts of the actions of corporations or organizations such as the World Bank and the IMF.

In recent years, one of the more active realms for such collective action has had to do with the growing globalization of corporate and economic activity. In

places like Seattle in 1999, Genoa, Italy, in 2001, and New York City in 2002, thousands of people gathered to protest these trends toward globalization and to influence the way globalization proceeds around the world. Sometimes called an *antiglobalization movement*, this is actually a misrepresentation because most participants involved recognize that globalization in some form will likely be a feature of the modern world. For these participants, the focus is to shape the terms of the debate about globalization rather than to derail the process altogether. The primary strategy at this point is to express divergent positions by massing in large numbers whenever the World Bank, the IMF, the World Trade Organization (WTO), or other global corporate institutions meet. One of the main demands of the protesters is that the process of globalization be made more democratic, with citizens around the world having input into the process. Currently, globalization is occurring mostly at the direction of global financial institutions, which, as we have seen in this chapter, have no formal mechanisms for citizen input into their decision-making process. The protesters want labor, environmental, human rights, and other groups to sit at the tables where decisions about the global economy are made. Another demand of the protesters is that globalization should promote the reduction of inequalities between the rich and the poor—between the powerful and the powerless—around the world.

Collective action, then, has served as a valuable constraint on the excesses of big business and big government. These efforts have offered ordinary citizens a valuable weapon in pursuing their own interests. The success of these efforts depends on their

1. Ability to appeal to large numbers of people and the financial resources those people provide.
2. Strategic use of legislative and litigation tactics.
3. Effective use of the media for public relations and communication.

Many of the existing public interest groups will undoubtedly continue to function, and more groups will likely emerge in the future as new issues develop and old ones evolve.

The Globalization of Labor Rights

The global economy described earlier in this chapter points to an important world trend: the globalization of labor as labor markets become world rather than simply national or regional phenomena (Moody, 1997; Tonelson, 2000). Although global labor has existed for centuries (consider the Europeans bringing Africans to the Americas as slave laborers), today

it is a much more extensive and complete world phenomenon. More so than in the past, corporations roam the globe looking for cheap sources of labor. This means that every worker is potentially competing with the lowest paid workers in the world. The recent trade agreements, the North America Free Trade Agreement (NAFTA) and the WTO, work toward reducing barriers to free trade—including tariffs and other barriers that help support high wages for workers in places like the United States.

In response to this trend, some labor unions have recognized that the labor movement must also become transnational: If wages and working conditions are improved for workers around the world, then workers in high-wage nations benefit, because there is less incentive for corporations to relocate. So, some unions in the United States have provided support for unions in less-developed nations to help them organize workers and fight against low wages and poor or dangerous working conditions. In fact, a global network has emerged consisting of workers, union activists, NGOs, and church and community leaders working to promote improved wages and working conditions for working people in all nations. These groups work by negotiating with, or taking labor actions against, global corporations. They also work by pressing for the incorporation of provisions for high labor standards in national constitutions and in international trade agreements, such as NAFTA and the WTO. The goal is to establish, on a global scale, the belief that it is a fundamental right of human beings to be paid a fair wage and have safe working conditions, to join unions, organize at work, and bargain collectively with their employers. To the extent that these efforts are successful, the plight of workers in one nation is linked to the plight of workers in other nations. Through such strategies, international labor organizations may be able to regain some of their strength relative to the concentration of power in corporations.

Economic Reorganization

Some policy analysts suggest that the problems identified in this chapter, such as unemployment and the inequitable distribution of power, can be alleviated only by some fundamental reorganization of economic relations. One approach to such reorganization falls under the general rubric of *worker empowerment*, involving an attempt to provide workers with management authority and responsibility and more control over the operation of corporations (Alperovitz, 2004; Greider, 2003). In some cases, this has involved employee stock ownership plans (ESOPs) where workers gain ownership in a company and have a stake in how it is run and

in the consequences of their own work performance. Today, 11,500 U.S. firms with 10 million employees have some form of ESOP, involving 10 percent of the private sector workforce (The ESOP Association, 2009).

In other cases, worker empowerment has involved changes in the structure of companies so that employees have more of a say in company decision making, more opportunities for advancement, and increased access to powerful people and resources in the organization. Another variation on this takes advantage of the fact that workers have available a substantial amount of capital, mostly in the form of the billions of dollars in their pension funds. Much of this money is invested in purchasing the stocks of corporations, which means that the workers who own these pension funds are part owners of those corporations. Some investment firms now use this worker's capital as a lever to insist that corporations support worker and family-friendly policies. Whatever form it takes, worker empowerment has focused on increasing the power and control that workers exercise over corporations and the workplace. And research shows that worker participation and employee ownership can increase a company's productivity (Blinder, 1990; Rosen and Youngs, 1991).

Another, more radical proposal for dealing with the increasing dominance of corporations over workers and communities is to change the legal structure and responsibilities of corporations in such a way as to produce shifts in the distribution of power (Nace, 2003). Corporations are chartered to operate by federal and state laws that define what they can and cannot do. Currently, these laws define corporations as being owned by the corporate shareholders, and the main legal responsibilities of those running the corporation is to protect the shareholders' interests, which means mostly maintaining and enhancing profits. In this view, only the stockholders, along with the corporate directors and managers, have been seen as stakeholders in the corporation. One approach to shifting the distribution of power, then, is to broaden our conception of who has a stake, and thus should have some say, in the decisions and activities of corporations. Beyond the shareholders, workers and communities also make a long-term commitment to corporations and invest much energy and many resources in the corporation. And both workers and communities often suffer dire consequences from corporate decisions to downsize or relocate a production facility. If such commitment and involvement justify viewing workers and communities as stakeholders in the corporation, then they deserve some input into corporate policies and decisions. This could take, for example, the form of worker and community representation on the boards of directors of

corporations. There has in fact been a trend in recent decades toward something called *corporate responsibility*, in which corporations voluntarily take the needs of workers and communities into account. However, these voluntary efforts are often justified within the context of profitability: Responsible corporations are more profitable corporations. A more radical approach would involve elevating these other needs to the same level of legal requirement as profitability. Corporate charters could be changed so that corporate managers are legally required to address the needs of workers, the community, and possibly even the environment, in addition to maintaining profitability. This approach is still largely unknown in the United States, although it is found in some European corporations. It requires a radical revision in our view of corporations as purely private entities to a view of corporations as public and community assets. In this new view, corporations would still be private, profit-making corporations, but they would be required by charter to serve public needs, such as providing dignified and secure employment, paying a living wage, respecting the local community, and protecting the environment.

Whether these changes will occur and what their consequences will be remain to be seen, but it is clear that U.S. business institutions are neither perfect nor stagnant. As the United States becomes an advanced industrial economy, the problems it faces are changing, and it is clear that economic arrangements must adapt. In fact, some have suggested that these issues of concentration of power and lack of control will not be ultimately resolved without some fundamental change in the economy. Some argue that it should become more of a mixed economy, with the government taking more control of some economic realms in order to pursue collective goals. Proponents of an extreme power elite position would argue that inequality and exploitation are inherent elements of capitalism, because capitalism is ultimately fueled by personal greed and acquisition. As such, capitalism can work only to benefit the powerful. Some form of a mixed economy would balance the avarice inherent in capitalism by injecting an element of the public good into economic activities and decisions. Others, including some pluralists, would argue that capitalism can benefit most citizens through the checks and balances of competing interest groups. This is not to say that capitalism can achieve equality or that everyone will benefit. But if the government encourages the development of diverse interest groups, large numbers of citizens will be able to pursue their goals. The Policy Issues insert explores different positions on the role of the government in this economic reorganization.

What Role Should Government Play in the Global Economy?

U.S. jobs outsourced overseas. Corporate downsizing. Worker dislocation. All these are pointed to as symptoms of the *deindustrialization* of the U.S. economy in the emerging global economy: aging and deteriorating factories, growth in low-paying service jobs, and an inability to compete with other nations. Then, in 2008, the American economy collapsed into the deepest recession since the Great Depression, with unemployment and home foreclosures soaring. What role should the government play in dealing with these economic problems?

The *laissez-faire* position on this issue is basically that the government should stand aside and let the forces of the market economy work (Finnegan, 2003; Yergin and Stanislaw, 1998). The core idea supporting this position is the belief that privatization, free trade, deregulation, and a competitive marketplace provide the most efficient system for producing and distributing goods and the most promise for improving the economic circumstances of the United States and other nations. Government interference, through government stimulus of economic activity or the bailouts of corporations, will only encourage noncompetitive, and thus inefficient, elements to determine the allocation of resources. For example, many argued that the government bailout of banks and auto companies during the 2008 Great Recession will foster only the continuation of inefficient businesses. If this means that some banks fail, that is acceptable because others will replace them. Such a global economy will produce more jobs and thus reduce poverty and unemployment. For *laissez-faire* proponents, then, the solution to the problems confronting the U.S. and other economies is an emerging global economy based upon a more unfettered form of capitalism.

Most interventionists accept the reality of a global economy and the global financial institutions that control it (Greider, 2003; Monbiot, 2004; Stiglitz, 2010). However, they also argue that the global economy is tilted too heavily in favor of corporate control, with corporations having extraordinary protections from government limitations on their actions. The various trade agreements extend extraordinary rights to corporations on a global scale—rights that promote the interests of corporations even though they work to the detriment of many citizens around the globe. Even in the Great Recession of 2008, many corporations benefited from practices that were to ultimately send the economy into a tailspin and cause many ordinary people to

lose their jobs, their homes, or their retirement savings. The economic stimulus and corporate bailouts were an attempt, in part, to protect innocent people from the ravages of highly speculative and risky capitalism. Interventionists also assume that national goals may differ from, and even conflict with, the goals pursued by global corporations.

Whereas nations may wish to promote notions of social justice or fairness in the distribution of resources, corporations' primary goal is to pursue profits, and *deindustrialization* and the Great Recession have occurred in part because of corporate greed, highly risky and speculative business practices, and the pursuit of unreasonably high profit margins. The role of the government is to promote interests other than the corporate ones and to be a vehicle for bringing more democratic control over economic activity. The government also serves to protect ordinary people from the ravages of economic tumult that they had no role in creating but whose dire consequences they suffer. Some interventionists propose cooperation between government and industry, with the former providing funding and some leadership in promising economic arenas. This could take the form of significant public funding of some industries, as is done in Japan and Europe. Some interventionists even propose a more central government role, such as legislation that restricts the ability of companies to close or relocate, which would prevent the dislocation of workers. Or tax policies could be used to promote national goals, such as giving tax breaks to corporations that strive to keep jobs in the United States. Some interventionists even insist that we need to replace private corporate decision making with more public democratic planning, where workers and the community would participate in corporate decision making. Community ownership of some industries might even be appropriate. For interventionists, then, the emerging global economy should be shaped and controlled by governments that can provide for more democratic input and protect the interests of a broader range of citizens.

The *laissez-faire* position stresses the superiority of individualism and competition in shaping society and providing benefits to the largest number of people. Interventionists argue that unbridled individualism and dog-eat-dog competition benefit some people but are very disadvantageous for others and can be destructive to families and other parts of society.

Interventionist

Community ownership
Factory-closing legislation
Government stimulus programs and bailouts

Government sets labor, health, and environmental standards

Less government regulation

Unfettered market economy

Laissez-faire

STUDY AND REVIEW

Summary

1. Political and economic institutions focus on a central issue in society: the exercise of power in the allocation of scarce resources. The social problem associated with these institutions is the abuse of power.
2. The economies of most nations today are market economies, which are based on the exchange of money for goods and services in the marketplace. The three main types of modern economic systems are capitalism, socialism, and mixed economies.
3. The dominant form of business in modern economies is the corporation, which has many advantages over individually owned businesses. Economic resources have become highly concentrated in a small number of very large corporations. Such concentration can take the form of monopolies, oligopolies, conglomerates, and multinational or global corporations.
4. The number and size of unions in the United States has grown substantially over the past century, but they have declined some in the past few decades.
5. Government has also grown substantially in the past two centuries because it has taken on the responsibility for social and economic policy and because people demand so much more of it. Globally, immense political and economic power is concentrated in a few large corporations and global financial institutions.
6. From the functionalist perspective, big government and big business are problems because they can lead to policies and practices that are inconsistent with cultural values and political and economic reality. From the conflict perspective, concentration of power becomes a social problem when some influential group believes that it is not receiving its fair share of resources and strives to do something about it.
7. There are two major models of power distribution in the United States: the power elite model and the pluralist model. The realities of holding power are more complex than either model suggests. Globally, world-system theory describes how and why political and economic power is concentrated among a small number of nations.
8. The concentration of power creates many problems for society, including a reduction in economic competition, the dominance of corporate profit-making goals over societal goals, threats to democratic institutions, the dwindling of unions, worker dislocation and unemployment, and abuse of government authority.
9. Efforts to alleviate problems stemming from the concentration and abuse of power have focused on a number of policies: shrinking the size of the government and budget deficits, reorganizing government so that abuses are less likely, encouraging collective action by citizens that serves as a counterbalance to government and corporate power, globalizing the labor force, and reorganizing the economy in ways that reduce worker exploitation and unemployment.

Key Terms

capitalism	mixed economy
communism	pluralist model
corporation	politics
economics	power elite model
military-industrial complex	socialism
	world-system theory

Multiple-Choice Questions

1. Which of the following is the central issue in society on which both political and economic institutions focus?
 - a. the exercise of power in the allocation of scarce resources
 - b. the transition from socialist to capitalist economies
 - c. the emergence of market economies in advanced industrial societies
 - d. the globalization of labor
2. According to proponents of a pure capitalist economy, the government should do all of the following *except*
 - a. maintain public order.
 - b. protect against foreign threats.
 - c. regulate prices and wages.
 - d. Government should do all of these.
 - e. Government should do none of these.
3. As used by Karl Marx, the term *communism* refers to
 - a. socialist economies in advanced industrial societies.
 - b. the utopian end stage of the struggle over capitalism.
 - c. the current oligarchical political structures in Russia and China.
 - d. the process of bringing corporations under state ownership and control.

RESEARCHING SOCIAL PROBLEMS ON THE INTERNET

The Internet is such a new technology that it is impossible to discern yet what its role in society will ultimately be: a vehicle to be used by large governments and corporations to further extend the concentration of their power, or a vehicle of empowerment enabling dispersed populations to communicate and organize electronically. Certainly, the Internet has made possible more direct, immediate, and interactive contact between citizens and government. Both houses of the U.S. Congress have Web sites: www.senate.gov and www.house.gov. Logging into the Senate Web site will give you options such as Senators, Legislation & Records, and Committees. The Legislation & Records offers you a number of options for finding what business is currently before the Senate. Browse through this and find topics that relate to issues discussed in this text. Do the same at the House of Representatives' Web site. E-mail your senators or representatives with your thoughts on the topic. Report back to your class any reactions that you get from your senators or representatives. Together with other students in the class, explore both of these Web sites with an eye on how they can be used as tools of citizen influence and empowerment.

The two global organizations discussed in this chapter also have Web sites: the World Bank (www.worldbank.org) and the IMF (www.imf.org). Explore those sites

and report to the class on any information you found that can expand on issues discussed in this chapter.

The Internet can be a very useful tool for discovering the social movement organizations that have arisen to deal with various issues and problems in the world. The reason for this is that these organizations often make themselves prominently visible on the Internet as a way to attract new members and support. Using a search engine, enter key words, such as *globalization* and *organization*, or *environment* and *organization*. There are many particular problem areas that could be searched. Another approach is to search for *nongovernmental organization* or *NGO*. The Department of Economic and Social Affairs of the United Nations maintains an NGO Branch where it lists NGOs by region, type of activity, and other criteria. See its list of NGOs at this Web site: www.un.org/esa/coordination/ngo. Using these resources, report to the class on what NGOs you have located, the problems they focus on, and their strategies and successes. What conclusions can you draw regarding the effectiveness of these efforts at counterbalancing the concentrated power of corporations and governments?

The Allyn & Bacon Social Problems Supersite (wps.ab-longman.com/ab_socialprob_sprsite_1) contains material on political and economic institutions and inequality.

4. Global corporations are different from multinational corporations in that
 - a. global corporations emerged first.
 - b. multinational corporations represent more integrated worldwide systems.
 - c. multinational corporations emerged first.
 - d. global corporations represent the power elite, whereas multinational corporations reflect pluralism.
5. Which of the following is *not* one of the reasons for the decline in the proportion of workers in the United States who are unionized?
 - a. Traditionally unionized occupations have declined in number.
 - b. Multinational corporations have declined in significance.
 - c. Corporations have relocated to states with weak union organizations.
 - d. The number of white-collar occupations has been growing.
 - e. Unions have faced increasing hostility from the public in the United States.
6. Which of the following is true regarding changes in the occupational structure in the United States in the twentieth century?
 - a. The proportion of farm workers has increased.
 - b. The proportion of blue-collar workers has increased.
 - c. The proportion of service workers has declined.
 - d. The proportion of white-collar workers has increased.
7. "Concentration of power becomes a social problem when some influential group believes that it is not receiving its fair share of resources and strives to do something about it." This statement most clearly derives from which sociological perspective?
 - a. functionalist
 - b. conflict
 - c. interactionist
 - d. pluralist
 - e. capitalist
8. Which of the following statements is consistent with the power elite model?
 - a. A small group of powerful people makes most important decisions.

- b. Power is spread over a large number of groups.
 - c. There is no significant military-industrial complex in the United States.
 - d. Veto groups have the ability to block decisions that adversely affect them.
 - e. The unorganized public can exercise constraint over those in power through use of the vote.
9. The problem of unemployment in the United States has grown worse over the decades because
- a. there is increased competition from foreign workers.
 - b. the proportion of blue-collar jobs has grown and the proportion of white-collar jobs declined.
 - c. the number of women entering the workforce has declined.
 - d. U.S. corporations have avoided competing in global markets.
10. The text suggests that some problems of corporate concentration of power can be alleviated if the notion of "stakeholders" in the corporation is expanded to include
- a. corporate managers.
 - b. corporate stock owners.
 - c. oligopolies.
 - d. corporate workers.

True/False Questions

1. Political institutions are the ones through which goods and services are produced and distributed.
2. The primary motivation for economic activities in socialist economies is to earn a profit.
3. Laissez-faire advocates would say that we could learn more about how best to solve social problems from mixed economies than from pure capitalism.
4. In the United States, union membership as a proportion of the workforce has been declining since the 1950s.
5. The number of people employed by the government has doubled in the past thirty years.
6. The pluralist model would argue that the public in the United States has no power or control over what happens at all.
7. In assessing the power elite model, the text concludes that a small group of people in the United States holds enormous power, controls foreign policy, and shapes the direction of our economic development.
8. When economic power is concentrated in a monopolistic fashion, it can result in a less competitive marketplace.
9. The problem of *displaced workers* (workers losing their jobs due to competition with foreign workers) has affected white workers more severely than black workers in recent decades.

10. *Corporate responsibility* refers to an arrangement in which corporations are required by law to place public needs ahead of profitability.

Fill-In Questions

1. In capitalist economic systems, _____ is the primary motive guiding people's economic behavior.
2. Economic systems in which there are strong elements of both capitalism and socialism are called _____.
3. If the Ajax Company produces 95 percent of the widgets sold in the world, then this company would be called _____.
4. A _____ is a corporation that owns other companies in economic spheres quite different from that of the parent company.
5. The world's corporate resources are concentrated in _____.
6. Sociologist _____ originally proposed what has come to be called the power elite model of the exercise of power in the United States.
7. The conjunction of the military, which benefits from the purchase of weapons, and the corporations, which benefit from producing and selling weapons, is referred to as the _____.
8. _____ are workers who have lost their jobs because manufacturing plants in the United States have closed in the face of foreign competition.
9. The _____ approach would argue that the U.S. economy could be best improved through privatization, free trade, and deregulation.
10. _____ are those who are affected by corporate activities, and thus should have some say in how the corporations are run.

Matching Questions

- _____ 1. capitalism
- _____ 2. monopoly
- _____ 3. power elite model
- _____ 4. *maquiladoras*
- _____ 5. nongovernmental organizations
- _____ 6. mixed economy
- _____ 7. World Bank
- _____ 8. Dwight D. Eisenhower
- _____ 9. deindustrialization
- _____ 10. worker empowerment

- A. conflict perspective
- B. economic production and distribution privately held
- C. collective action

- D. a company that controls 90 percent of sales in a particular market
- E. factories in Mexico producing goods for export to the United States
- F. spoke of the military-industrial complex
- G. aging and deteriorating factories and other resources
- H. approach to the problem of the inequitable distribution of power
- I. global financial institution
- J. England

Essay Questions

1. Define capitalism and socialism. Show how each economic system clearly differs from the other in terms of organization and motivation for economic activity.
2. What is a corporation? What are the benefits and disadvantages of corporate organization?
3. What are the major international organizations that work to support the spread of capitalism around the world? How do these organizations achieve their goals?
4. What are the trends in the unionization of workers in the United States? What accounts for these trends?
5. What would the functionalist and conflict perspectives have to say about the concentration of power in societies?
6. Assess how well the power elite and pluralist models describe the exercise of power in the United States. What evidence is presented on this issue in the text?
7. Who are *displaced workers*? Who is most likely to be affected by this, and what particular problems do they confront?
8. Describe the laissez-faire and interventionist approaches to dealing with economic problems such as deindustrialization and the Great Recession.
9. What sort of *government* reorganizations are suggested in the text to alleviate the problems posed by the concentration of power in the United States?
10. What sort of *economic* reorganizations are suggested in the text to alleviate the problems posed by the concentration of power in the United States?

For Further Reading

Gar Alperovitz and Lew Daly. *Unjust Deserts: How the Rich Are Taking Our Common Inheritance and Why We Should Take It Back*. New York: New Press, 2010. These economists argue that societal wealth is

produced not solely by individuals but is also the product of collective efforts—which justifies, in their minds, a greater redistribution of the wealth.

Amy Chua. *World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability*. New York: Doubleday, 2002. This author provides a strong critique of current trends toward globalization, describes its negative consequences, and presents some ideas about a better route.

Charles Derber. *People Before Profit: The New Globalization in an Age of Terror, Big Money, and Economic Crisis*. New York: St. Martin's Press, 2002. This book describes a grassroots resistance to corporate-led globalization and proposes a path based on international democracy and social justice.

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Robert Perrucci and Carolyn C. Perrucci. *America at Risk: The Crisis of Hope, Trust, and Caring*. Lanham, MD: Rowman & Littlefield, 2009. These sociologists explore the economic and technological changes of the past few decades that have had a detrimental impact on many workers in the United States. They recommend policies for change.

Richard A. Posner. *A Failure of Capitalism: The Crisis of '08 and the Descent into Depression*. Cambridge, MA: Harvard University Press, 2009. This conservative economist provides an excellent analysis of why the United States slipped into a Great Recession in 2008, providing also a serious critique of capitalism as an economic system.