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BUSINESS AND POLITICS: A CRITICAL APPRAISAL OF POLITICAL SCIENCE*

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For all the talk and all the public curiosity about the relations between business and politics, there is a remarkable dearth of studies on the subject. What *is* written is more likely to come from the pen of a sociologist, an historian, a lawyer, or an economist than from a political scientist. One would suppose that the role of business, particularly big business, in the political system would be a matter of central concern to political scientists. And so it may be. But those who write about it are men like Adolph Berle, a lawyer, C. Wright Mills, a sociologist, and Robert Brady, an economist; nor can political scientists legitimately lay claim to Peter Drucker, whose professional training and interests in business antedated his academic position as a teacher of political science.

I. INTRODUCTION

Lest it be thought that I have over-stated the point, here is some supporting evidence. During the past fifty years, only about a dozen articles have appeared on the subject of business, in the pages of this REVIEW. In his analysis of articles published in the five general political science journals of this country during the years 1925–29, 1939–41, and 1952–54, Waldo found no articles at all on business in the first period, only two articles in the second, and only nine in the third.[1] If we look at proposed

* This paper is one of three prepared at the request of the Ford Foundation Program in Economic Development and Administration. Companion papers are by Paul Lazarsfeld, "Reflections on Business: Consumer and Manager," and Mason Haire, "Psychological Research Problems Relevant to Business and Industry"; these will appear in the *American Journal of Sociology* and the *Psychological Bulletin*, respectively. The aim of the three, covering political science, sociology, and psychology, is to indicate research areas in the social sciences related to problems of business and industry.

[1] The three periods are his. Some additional articles may be concealed under other headings, such as "politics, parties, and pressure groups." Dwight Waldo, *Political Science in the United States of America, A Trend Report* (UNESCO, Paris, 1956), p. 39.

doctoral dissertations, the output is not great. Out of the many thousand dissertation titles listed in this REVIEW in the past 15 years, only 75 deal in any way with business.

When political scientists do take up their pens to write about business, the chances are that they will concern themselves with the relatively well established field of government regulation in the broad sense. For example, among the 75 dissertation titles there were twice as many in the area of government regulation, control, and administration as in the next most popular field, politics, parties, pressure groups and propaganda.

TABLE I. PROPOSED DISSERTATIONS IN POLITICAL SCIENCE DEALING WITH BUSINESS AND POLITICS, 1942–1958, CLASSIFIED ACCORDING TO SOME OF THE CONVENTIONAL AREAS OF POLITICAL SCIENCE

Area	U. S. n	Foreign n	Total n
Government regulation, admin. & control	18	10	28
Politics, parties, pressures, propaganda	10	3	13
International Relations			
Law: 4			
Politics: 4	*	*	8
Personnel, labor, coll. bargaining	7	—	7
Public policy (assessment)	6	—	6
Public law	5	—	5
Political thought, ideologies	2	—	2
Other	*	*	2
Unclassified	*	*	4
Totals	48	13	75

* Total not properly classifiable in either category.

Doubtless there are many reasons for the paucity of articles and books by political scientists on this topic: traditional conceptions of the subject matter of political science, unfamiliarity with available materials, difficulties in research, and lack of relevant theories to guide research. I am not going to argue that we should all shift our attention forthwith; but I do intend to show that there are some extremely interesting and important topics with varying degrees of relevance to political science as the field is usually defined, to which the political scientist might, with his skills and interests, profitably direct his attention. In this essay, I propose to make a brief survey of the state of our knowledge with respect to four questions:

I. What kinds of political orders are constituted by relations within business firms? How do the orders operate?

II. What kind of a political order is constituted by the relations among business firms? How does the order operate?
III. What are the relations between business and the American political order? (I will also consider under this head some of the relations of American business to international politics.)
IV. What are the general consequences for the political order of the present organization of business in the United States? And conversely? (I will consider under this heading some rather more general questions than those considered under III.)

You will notice that, judged by the usual preoccupations of political scientists, we shall move from the less familiar to the more familiar. Hardly any studies by political scientists bear directly on the first two questions. For that matter, not many deal with the last two either; but these questions, and particularly the fourth, are evidently regarded by most political scientists as relevant to the "discipline." It may be debatable whether "political science" should or should not encompass the first two topics, but I propose to avoid this arid enterprise and content myself instead with indicating briefly how these matters are germane to our understanding of political orders and processes.

II. THE BUSINESS FIRM AS A POLITICAL ORDER

A business firm, like a trade union, religious organization, or state, has a political order. Like the internal "government" of the economic system, the internal government of the firm has been effectively proscribed to the economic theorist and ignored by the political scientist. The "theory of the firm," which has occupied a vast amount of attention among economists, has little to say, except implicitly, about questions of power, influence, sanctions, legitimacy—in short, government.

A number of political theorists have stressed the value of studying the political orders of social organizations other than the state.[2] Most recently, Bertrand de Jouvenel, who is occupied with some of the most ancient, persistent, and imperative problems of political theory, has argued:

One of the obstructions which has hitherto hindered the development of political science was its limitation to the aggregates called States, which are too long-

[2] On this point, as on many others, Charles Merriam had many insights and suggestions; *e.g.*, see his *Public and Private Government* (New Haven, 1944). A number of political scientists have examined the internal government of private organizations, though they have not usually paid much attention to the business firm as such. The studies are too numerous to cite here, but of seminal influence are O. Garceau, *The Political Life of the A.M.A.* (Cambridge, 1941) and D. Truman, *The Governmental Process* (New York, 1951), pt. 2. For a recent essay, see G. McConnell, "The Spirit of Private Government," this REVIEW, Vol. 52 (Sept., 1958), pp. 754–770.

lived for any summary comprehension of them to be possible. Just as genetics has greatly gained by the study of heredity as it operates over many generations of short-lived insects, so political science will gain greatly from an ability to work on aggregates that mature quickly; of these, life in society presents instances all around us.[3]

The most explicit exponent of the view that the firm or business enterprise is worth studying as a governmental institution is probably Peter Drucker, who brought to the study of business firms a well established interest in political theory.[4] Aside from his enthusiastic description of the organization of General Motors in *The Concept of the Corporation*, there are remarkably few concrete studies. The most extensive is undoubtedly *Business Leadership in the Large Corporation*, by R. A. Gordon, who pursued a method of analysis with which the political scientist will find little to disagree:

> In a system of delegated power such as is found in the large corporation an analysis of business leadership must deal with three related problems, two of them connected with the process of decision-making. First, where do important business decisions originate? . . . Second, what other persons, if any, veto or approve decisions? . . . Finally, with whom is lodged the coordinating authority for the enterprise as a whole . . . ?[5]

For nearly half a century, observers have called attention to the discrepancy between the formal-legal structure of government in large business corporations and their real constitutions. In the formal-legal structure, control over decisions is a function of ownership. But as early as 1913 the Pujo Committee of the House of Representatives noted that in large corporations with numerous and widely scattered stockholders, "the management is virtually self-perpetuating and is able through the power of patronage, the indifference of stockholders, and other influences to control a majority of the stock."[6] The Committee, which was

[3] *Sovereignty, An Inquiry into the Political Good* (Chicago, 1957), p. 25.

[4] *E.g.*, P. F. Drucker, *The New Society, the Anatomy of the Industrial Order* (New York, 1949), p. 44 and passim. In 1943, Drucker—then teaching political theory at Bennington College—was invited by General Motors "to study and to report on its managerial policies and organization from the standpoint of an outside consultant, in which capacity (he) served for eighteen months." Out of this experience came *The Concept of the Corporation* (New York, 1946), from which the quotation is taken, at page viii. Most recently, he has written a kind of handbook for executives, *The Practise of Management* (New York, 1954). His first book, *The End of Economic Man* (London, 1940) was, despite the title, essentially a work in political theory, for it was an analysis of the rise of irrational behavior in the form of totalitarianism.

[5] Washington, 1945, pp. 57–8.

[6] U. S. Congress, House of Representatives, Report of the Committee Appointed Pursuant to House Resolutions 429 and 504 to Investigate the Concentration of Control of Money and Credit, 62d Congress, 2d Session, Feb. 28, 1913, p. 147.

mainly interested in the influence of bankers, went on to point out that "where representatives of a great banking house are on the board and are financing the corporation and in close relations with the management the policy of the corporation is largely determined by the bankers where they choose to assume that responsibility." This view of the locus of power in the corporation was a dominant one until quite recently. In 1927 it was reiterated by William Z. Ripley, a professor of political economy at Harvard, in his *Main Street and Wall Street.*[7] Meanwhile, A. A. Berle, then a young member of the New York bar, had been developing a parallel but more comprehensive argument in journal articles; the book he subsequently wrote with Gardner Means, an economist, has long since taken its place as one of the minor classics of social analysis.[8]

Gordon's study, however, marks an important refinement in the evolution of these interpretations, for where the earlier works had stressed the domination of directors and management over stockholders, or of bankers over directors and management, Gordon showed that control over decisions had come to rest even more narrowly: with management. Not only do chief executives generally dominate over their boards of directors, even to the point where executives select their own directors rather than the other way around; but the process of bureaucratization has gone so far, in Gordon's view, that on many important questions the final decisions do not even lie with the chief executives but with the professional bureaucracies of the corporation. Gordon also found that: (1) Salaried executives make up a large proportion of the membership of boards of directors of their own companies. (On 35 of 155 giant corporations analysed, executives constituted at least 50 percent of the board.) (2) In contrast to the earlier findings of the Pujo committee, the importance of outside influences such as bankers and minority blocks of stockholdings had dwindled relatively, in part because of the greater availability of other sources of corporate capital, but in part also because of the high degree of professionalization and executive autonomy in the government of the corporation. And (3) committee decision-making had grown, while the old-fashioned lone-wolf entrepreneurial figure had all but disappeared.[9]

Although there have been no subsequent studies as extensive and careful as Gordon's, some corroborative material exists. In 1953 T. K. Quinn, a one-time vice president of General Electric, wrote a volume of reminiscences and observations valuable chiefly because Quinn is one of

[7] New York, 1927, ch. 4 and passim.

[8] *The Modern Corporation and Private Property* (New York, 1932).

[9] Gordon, *op. cit.*, pp. 71–3, 75–7, 80–1, 91, 99, 105–7, 119, 122, 131–5.

the very few "insiders" who have been moved to write critically about their own firms. On the subject of directors, he wrote:

In General Electric the election of directors was only formalized at stockholders' meetings. The directors were in every case selected by the officers, who in turn always voted to perpetuate the officers. We had then, in effect, a huge economic state governed by nonelected, self-perpetuating officers and directors—the direct opposite of the democratic method. I am not condemning anyone but simply explaining a system, quite generally effective, which has grown up around us.

The fewer the men in control of a giant corporation, the narrower the field of selection for officers and directors. I recall a discussion with the President of General Electric one time when one of our directors had resigned and another had died. There were two vacancies to fill, and the question was whom to "elect." The selections were finally made largely on the basis of appearances. We did consider how helpful they might be in influencing business our way, but in general what was wanted was a board that would look well on paper. So far as the operation of the business was concerned, they were mere figureheads anyway. Vice-presidents, who were supposed to be elected by the board of directors, were always named by the President. In every instance the figurehead board were "good boys" and endorsed the selections with their votes.[10]

In 1947, M. T. Copeland and A. Towl of the Harvard Graduate School of Business wrote a volume that emphasized, far more than Gordon had, the importance of the directors. But a careful reading of their book suggests that the influence on decisions that directors *should* and might exert (in the view of the authors) is very different from what they actually *do* exert. For their case studies indicate that it is mainly when a chief executive dies without having chosen a successor, or when the corporation is in a severe crisis, that directors can successfully interpose their influence; or for that matter are even disposed to.[11]

Gordon's view of the government of the large corporation suggests some highly significant questions. First, there is the empirical question whether many large corporations actually approximate his description. Berle evidently continues to adhere to his earlier view that control over any decision lies mainly with the directors.[12]

[10] T. K. Quinn, *Giant Business: Threat to Democracy* (New York, 1953) p. 145.

[11] M. T. Copeland and A. Towl, *The Board of Directors and Business Management* (Boston 1947), esp. pp. 33–6, 42–3, 52–7, 65–6, and 71–2.

[12] "The control system in today's corporations, when it does not lie solely in the directors as in the American Telephone and Telegraph Company, lies in a combination of the directors of a so-called control bloc (a misnomer, incidentally) plus the directors themselves. For practical purposes, therefore, the control or power element in most large corporations rests in its group of directors and it is autonomous—or autonomous if taken together with a control bloc. And inheritance-tax distribution of stock being what it is, the trend is increasingly to management autonomy. This is a self-perpetuating oligarchy."

Second, on either view the existence of such a high degree of autonomy in corporate decisions poses serious problems of public policy. Are the controls over the corporation exerted through the operation of the price system adequate, or should they be supplemented by additional controls of some sort? The answer will depend in part, of course, upon one's assessment of the strength of price system controls; and here the relevance of the classic competitive model is dubious—yet there seems to be no useful alternative model. If one were to opt for additional public controls, what would be necessary to make these controls effective? Here one's answer might depend on whether one accepts Gordon's view or Berle's. On either view, the belief that the "power" of businessmen would be tamed by professionalization of business management, which seemed so hopeful to critics as various as Tawney, Brandeis, and Follett, is scarcely justified; for with a speed that these reformers could hardly have anticipated, professionalization is being achieved. But if the means they advocated are now commonplace, it is doubtful whether Tawney and Brandeis would agree that the *ends* they were seeking by professionalization have been reached.[13]

In the third place, the governmental structure of the modern corporation as viewed by Gordon has some remarkable parallels (and some interesting differences) with other bureaucracies, including governmental ones. For the general analysis of bureaucracy and for organization theory the study of the modern corporation is invaluable. Students of bureaucracy who follow the path marked out by Max Weber frequently stress the essential similarity in the main features of both governmental and "private" bureaucracies; students of public administration are much more prone to emphasize the peculiar features of governmental bureaucracies. The two emphases are not necessarily inconsistent. But they cannot be integrated into a more comprehensive theory of bureaucratic

Economic Power and the Free Society, A Preliminary Discussion of the Corporation (The Fund for the Republic, New York, 1958), p. 10. Berle's pamphlet is one of three published so far under the auspices of the Fund for the Republic and its panel of consultants—of whom Berle is one—on "The Problems of the Free Society." The other pamphlets are: Scott Buchanan (also a consultant), *The Corporation and the Republic* (New York, 1958), and Andrew Hacker, *Politics and the Corporation* (New York, 1958).

[13] To a remarkable degree, the objectives set out by R. H. Tawney in *The Acquisitive Society* (New York, 1920) are attained by the modern corporation. Property owners no longer exert much influence on the conduct of business; responsibility rests upon those by whom the work is conducted; and management has become a profession. But while the forms advocated by Tawney are more nearly here than a Fabian socialist could have thought likely in so short a time, Tawney would doubtless object that the spirit of the acquisitive society remains unchanged. (*Cf.* particularly his comments on pp. 96–7, and ch. 7, passim.) For Brandeis' view, see L. D. Brandeis, *Business—A Profession* (Boston, 1914), pp. 1–12. *Cf.* also Mary Parker Follett, *Dynamic Administration* (New York & London, 1942).

organizations without systematic efforts to study and compare both kinds.

It is altogether possible, in fact, that the "public-private" dichotomy will prove to be less fruitful than a classification based upon a more complicated set of variables. For the study of bureaucracy is perhaps a special case of organization theory, to the recent growth of which H. A. Simon and J. G. March (both originally trained as political scientists) have greatly contributed. Simon's now classic *Administrative Behavior* cuts across the public-private distinction, as does the impressive new March-Simon work, *Organizations*.[14]

The internal government of the corporation, finally, has some bearing on the "power-structure" of the United States. A common populist and leftist view holds that politics is dominated by business, and business is dominated by an interlocking elite of financiers and directors. But Gordon's research casts doubt on the whole idea of effective control by interlocking directorates, and specifically by financial blocs. If corporate executives are controlled at all, it must be by price-cost considerations, monopolistic competition, professionalism, law, conscience, and so on. They are not, at any rate, controlled very extensively by their directors; at least this would be the conclusion to draw from Gordon's study.

Is the government of a corporation actually accessible to political scientists? There is some evidence that access may not be nearly so formidable as one imagines. March and R. Cyert, an economist, are currently studying a handful of businesses in the Pittsburgh area in an attempt to construct models for decision-making that will forecast the behavior of business firms more reliably than those derived from the theory of the firm. Using data drawn from interviews and company records, March and Cyert attempt to "program" actual business decisions on a high-speed computer in order to compare the decision specified by their model with the decision made by the firm. The high-speed computer is, in effect, treated as decision-maker. The aim is not to substitute computers for business firms, but to develop and test models with high predictive value. The researchers make clear to the firms they study that no practical pay-off in improved procedures is in sight; but despite this, the firms have, so far, been remarkably cooperative in facilitating the investigation.[15]

[14] H. A. Simon, *Administrative Behavior* (New York, 1947); J. G. March and H. A. Simon, (with the collaboration of H. Guetzkow), *Organizations* (New York, 1958).

[15] These studies are not yet published. However, *cf.* R. M. Cyert and J. G. March, "Organizational Structure and Pricing Behavior in an Oligopolistic Market," *American Economic Review*, Vol. 45 (March, 1955), pp. 129–39; *ibid*, "Organizational Factors in the Theory of Oligopoly," *Quarterly Journal of Economics*, Vol. 70 (Feb., 1956), pp. 44–64; R. M. Cyert, H. A. Simon and D. B. Trow, "Observation of a Business Decision," *Journal of Business*, Vol. 29 (Oct., 1956), pp. 237–48.

Recent improvements in techniques for studying influence, resulting from the work of a number of political scientists engaged in studying community "power-structures," could be carried over almost intact to studies of the internal government of business firms. It will be ironic indeed if other social scientists transform themselves into political scientists, so to speak, in order to do the job that political scientists are not now doing.

III. BUSINESS RELATIONS AS A POLITICAL ORDER

Every organized system of relations has its economic aspects and its political aspects. That these have come to be treated in separate disciplines between which there is astonishingly little intellectual exchange is a fact frequently observed over a long period of time, and almost as frequently deplored. But the separation is still a fact. In defining what he means by the economic aspects of social organization, the economist customarily ignores "influence" and "power" as explicit categories; but because economic theory seeks to describe an aspect of organized relationships existing in a well developed social order, implicit in every economic theory are some assumptions about influence relations. The model of a competitive price mechanism in a system of private property relations can easily be interpreted as an *explicit* description (in a language that can be translated into the language of politics) of the internal government of a particular economic order, or as a set of influence relations among actors within the economic order; and as an *implicit* description of certain relations existing among governmental officials and business men. But the explicit description is rarely translated into political language; and the implicit description generally remains implicit. Consequently a no-man's land has grown up between economics and political science. One can debate whether this no-man's land should be occupied by the discipline now called economics or the discipline now called political science; but it is difficult to argue persuasively that it should not be occupied at all by the social sciences.

The typical economist so conceives of his field of inquiry that when he employs his formal theoretical apparatus, he is not normally compelled to explicate many assumptions about the political aspects of the social system. The political theorist, by contrast, has historically found it difficult to ignore the economic aspects of the social system. For he has generally taken it for granted that different economic orders will have very significant effects for the distribution of influence over decisions in the "political" order.

Since the economist has a body of theory at hand, it might seem efficient for the political theorist to use the economist's models of different economic orders in order to provide himself with some relevant starting

points. When he turns to economic theory, the political theorist does indeed discover an elaborately worked out model of a competitive price system embedded in what is surely one of the most, if not *the* most, complex, rigorous and intellectually demanding bodies of theory in the whole domain of the social sciences. But the model, for all its elegance, has only a restricted utility for a political scientist concerned with modern economic orders as complex and different as those of the USSR, the United States, and Indonesia. Even within the limited view assumed in this paper—American business and the American social system—the relations among giant firms like Dupont and General Motors raise immediate and obvious questions that are not dealt with by the existing models of economic theory.

Their relations do, on the other hand, have much in common with relations among states pursuing international strategies, invoking threats, penalties and rewards, engaging in negotiations and bargains, using propaganda and persuasion, seeking allies, and so on. There are also similarities with other forms of political rivalry and negotiation, such as conflict and compromise among leaders of political parties.

Economists have sometimes tried to break the grip of the competitive model. And in some of their descriptive writing on monopolies (where the theoretical biases of the economists have been curbed somewhat by the natural empiricism of lawyers), they seem to have succeeded. A large number of careful studies of the behavior of a particular firm, combination, industry, or segment of the economy display the spirit of critical empirical inquiry that guided the approach of earlier economists like J. M. Clark and Walton Hamilton. But in creating new theory to fit their descriptions, they do not seem to have been very successful, and possibly for good reasons. Veblen's iconoclastic *The Theory of Business Enterprise* (1904) seems to have had little impact on economic theory and perhaps even less on political science. Brady, in his *Business As A System of Power* (New York, 1943) is concerned with precisely the kind of question political scientists would like to see treated; but he seems to have been so anxious to demonstrate that the United States was well on the way to Fascism that his treatment of the evidence is uncritical and at times even highly dubious. Theories of monopolistic competition have enabled economists to attack a new problem with relatively familiar weapons—but the fortress does not appear to have been taken. In any case, the *theoretical* writings on monopolistic competition and oligopoly (as distinct from the descriptive ones) are preoccupied with problems that are of only secondary interest to a political scientist.

Consequently a pressing need for new theory has developed. One new, relevant model would, at the moment, be worth a million facts; for

until one or more relevant models is developed, it is difficult to know how additional facts can explain anything.

In such a situation, it is all too inviting to say that political science has much to offer. But it is precisely on questions of this kind that political theory is most primitive. The relations among large business firms, to be sure, might be subsumed under a general theory of bargaining. But political scientists have never produced a general theory of bargaining.

There are, however, some promising beginnings. The study of international politics includes the analysis of bargaining relations, and a few efforts have been made toward a general theory.[16] A new journal, *Conflict Resolution*, appeared in 1957; it has already published a considerable number of articles that at the very least must be considered as fragments of a possible general theory.[17] Relations among political leaders and parties are, of course, extensively described in the literature; and a number of writers have tried to explicate a theory to encompass these relations.[18] Economists have also been drawn into the search for an adequate theory. The older school of "institutional" economists led by John R. Commons was deeply interested in collective bargaining; Commons himself attempted to work out a general theory that would include bargaining relationships of many kinds.[19] Much later, J. K. Galbraith popularized the notion of "countervailing power," without, however, refining his theory very far.[20] N. Chamberlain has sought to explain by a bargaining theory many of the relationships ordinarily treated in conventional economic theory.[21] In a monograph for the RAND Corporation, C. E. Lindblom set out an interpretation of bargaining as a generalized decision-process in politics and economics.[22] Some economists have been tempted by the theory of games developed by J. von Neuman and O. Morgenstern (himself an econom st); probably the most elaborate exploitation of this lead by an econoimist is M.

[16] *Cf.* especially, M. Kaplan, *System and Process in International Politics*, (New York, 1957).

[17] *E.g.*, R. W. Mack and R. C. Snyder, "The Analysis of Social Conflict—Toward an Overview and Synthesis," vol. I (June, 1957), pp. 212–47; H. Guetzkow, "Isolation and Collaboration: A Partial Theory of International Relations," Vol. I (March, 1957), pp. 48–68.

[18] *E.g.*, Truman, *op. cit.;* E. Latham, *The Group Basis of Politics: A Study in Basing Point Legislation* (Ithaca, 1952); R. Dahl and C. Lindblom, *Politics, Economics and Welfare* (New York, 1953), chs. 12, 13; and 17.

[19] *The Economics of Collective Action* (New York, 1950).

[20] *American Capitalism: The Concept of Countervailing Power* (Boston, 1952).

[21] *A General Theory of Economic Process* (New York, 1955).

[22] *Bargaining: The Hidden Hand of Government* (RAND, Research memorandum RM-1434-RC, 1955); see also his "Policy Analysis," *American Economic Review*, Vol. 48 (June, 1958), pp. 298–312.

Shubik's study of competition and oligopoly, which uses the theory of games for its central theoretical apparatus.[23] Others have, however, rejected the game-theoretical approach as inadequate not only for relations among business firms but for most bargaining relationships, including, for example, those of international politics; thus Schelling appears to be in the process of creating a theoretical framework that may have some of the rigor of games theory and more relevance.[24] There is, then, a good deal of ferment; and it is reasonable to suppose that the problem of creating an adequate theory or set of theories about bargaining relationships will be attacked with much more vigor in the immediate future than it has been until very recently.

The extent to which contemporary social theory is intellectually stunted when it seeks to deal with the relations of giant business firms is a special case of a much vaster problem, one that I can only allude to here. It is not excessively wide of the mark to say that there is no theoretical apparatus powerful enough to provide even moderately useful answers to a very large number—quite possibly most—of the questions generated by the diversity and complexity of contemporary economic orders. And it is exceedingly doubtful whether theory adequate to the task can be developed by economists, except in so far as they concern themselves with the political aspects of social relations,[25] or by political scientists except in so far as they concern themselves with economic aspects. Indeed, it is altogether plausible that the existing division of labor within the social sciences as a whole is working strongly against the development of the kind of theory that is most needed.

IV. BUSINESS AND THE AMERICAN POLITICAL ORDER

The general state of the discipline. The task of tracing out past manifestations of the relations between businessmen and the political order has been left mostly to historians.[26] It is at least arguable that with the

[23] *Competition, Oligopoly, and The Theory of Games* (Princeton, 1958). One should also consult H. Raiffa and D. Luce, *Games and Decisions* (New York, 1957), ch. 6, "Two-Person Cooperative Games;" J. F. Nash, "The Bargaining Problem," *Econometrica*, Vol. 18 (April, 1950), pp. 155–62; J. Pen, "A General Theory of Bargaining," *American Economic Review*, Vol. 42 (March, 1952). For a summary and synthesis, see Allan Cartter, *Theory of Wages and Employment* (New York, 1959), pp. 24–42.

[24] T. C. Schelling, "An Essay on Bargaining," *American Economic Review*, Vol. 46 (June, 1956), pp. 281–306; "Bargaining, Communication, and Limited War," *Conflict Resolution*, Vol. 1 (Mar., 1957), pp. 19–36.

[25] This view is shared by a number of economists; e.g., Arthur Ross, in *Trade Union Wage Policy* (Berkeley, 1956) concludes that unions must be considered essentially as political organizations.

[26] *E.g.*, Miriam Beard, *A History of the Businessman* (New York, 1938); A. M. Schlesinger, Sr., *Colonial Merchants of the Revolution* (New York, 1917); R. A. East, *Business Enterprise in the American Revolutionary Era* (New York, 1938); T. C. Cockran and W. Miller, *The Age of Enterprise* (New York, 1942).

kinds of data available the questions a political scientist might like to put cannot be answered anyway. But surely this is a premature conclusion. In general when skillful social scientists turn their scholarly attention to historical problems, they manage to ask new questions and get new answers.[27]

But even on the relations between business and the existing political order, the subject is in a curiously incomplete state. In the late 1920s and early 1930s some pioneering work was undertaken; and if this work has, by now, been pretty thoroughly assimilated into the main body of American political science, its specific concerns have not, by and large, been pursued. In that period the older legalistic and institutional view of political activity was breaking up under the impact of the new realism offered by men like Charles Merriam; Bentley and his group interpretation of politics were having a belated effect on the thinking of the *avant garde;* and pluralistic ideas had moved across the Atlantic to find a ready reception in the United States. In 1921, F. W. Coker's, "The Technique of the Pluralistic State" appeared in this REVIEW.[28] In 1929, E. P. Herring's pioneering work, *Group Representation Before Congress,* embodied many of the new ways of interpreting politics.[29] In the following year, H. L. Childs' study of the American Federation of Labor and the U. S. Chamber of Commerce appeared; it carried a preface by Merriam and an acknowledgment by Childs of his debt to Merriam and also to Coker. Although somewhat pedestrian in execution, the book was thoroughly in the new spirit; it concluded with the observation: "Periodic elections are turning into periodic competitions between personalities, while the day-to-day process of governing a great nation turns into a continuous balancing of pressing interests of more and more highly perfected organized group interests." (p. 260). Later E. E. Schattschneider undertook his now classic study of the pressures on

[27] As evidence, I would offer L. Hartz, *Economic Policy and Democratic Thought: Pennsylvania, 1776–1860* (Cambridge, 1948); L. D. White, *The Federalists 1789–1801* (New York, 1948) and the three succeeding volumes in his administrative history; M. J. Dauer, *The Adams Federalists* (Baltimore, 1953).

[28] Vol. 15 (May, 1921), pp. 186–214. *Cf.* also M. P. Follett, *The New State* (New York, 1918) and E. D. Ellis, "The Pluralistic State," this REVIEW, Vol. 14 (August, 1920), pp. 393–407.

[29] Baltimore, 1929. His *Public Administration and the Public Interest,* which reflects a similar approach, appeared seven years later (New York, 1936). Concern with pressure groups and lobbying has remained at a fairly high level. For example, B. Zeller, *Pressure Politics in New York* (New York, 1937); D. D. McKean, *Pressures on the Legislature of New Jersey* (New York, 1938); D. C. Blaisdell, *Economic Power and Political Pressures* (T.N. E.C. Monograph No. 26, Washington, 1941); *Unofficial Government: Pressure Groups and Lobbies,* D. C. Blaisdell ed., *The Annals,* Vol. 319 (Sept., 1958). That the concern with "interest groups" and "pressures" is no longer an American hobby is indicated by the recent publication of *Interest Groups on Four Continents,* H. W. Ehrmann, ed. (Pittsburgh, 1958).

Congress during the Smoot-Hawley tariff controversy of 1929–1930; the book appeared in 1935.[30]

From that time forward there has been no equivalent period of innovation and regeneration. V. O. Key's textbook on political parties appeared in 1942 with a section on business as a pressure group that has been modified and carried through each succeeding edition. It is a remarkably succinct and comprehensive discussion of the major aspects of business-in-politics; one might reasonably have expected it to stimulate considerable research interest among its many readers.[31]

Latham's detailed examination of the fate of basing-point legislation in Congress appeared in book form in 1952,[32] followed two years later by a shorter case study by Garceau and Silverman dealing with the activities of the Associated Industries of Vermont in the 1951 session of the Vermont legislature.[33] The casebook edited by Harold Stein, *Public Administration and Policy Formation* (New York, 1952) and the ICP series that followed have some significant cases involving the relations of business and government. Doubtless one could cite other items; but what is surprising is the extent to which the earlier interest seems to have tapered off.[34]

What seems to have happened is that the Great Depression and the New Deal turned the attention of political scientists away from explaining behavior to prescribing policy. Significantly, the first of the Harvard series entitled *Public Policy* appeared in 1940; it reflects the newer concern with reform and regulation. The study of government regulation, to which I have already alluded, now began to thrive. However, many of the political scientists who occupied themselves with

[30] *Politics, Pressures and the Tariff* (New York, 1935). A more recent analysis of business attitudes on the tariff reveals a striking reversal of opinion since the days of Smoot-Hawley, *Cf.* R. A. Bauer, S. Keller, and I. de S. Pool, *What American Trade Policy Does American Business Want?* (Center for International Studies, M.I.T., Cambridge, 1955). Bauer and de S. Pool also have a forthcoming book, *American Businessmen and International Trade: Code Book and Data from a Study on Attitudes and Communications* (Glencoe, 1959).

[31] *Politics, Parties, and Pressure Groups* (New York, 1958, 4th ed.), ch. 4.

[32] E. Latham, *The Group Basis of Politics, A Study in Basing Point Legislation* (Ithaca, 1952). Latham has a forthcoming volume, *The Politics of Railroad Coordination*, 1933–1936 (Cambridge, 1959), and an essay, "The Body Politic of the Corporation" (to be published by the Fund for the Republic under the editorship of Edward S. Mason).

[33] O. Garceau and C. Silverman, "A Pressure Group and the Pressured: a Case Report," this REVIEW, Vol. 48 (September, 1954) pp. 672–91.

[34] Among the exceptions: J. W. Prothro, *The Dollar Decade, Business Ideas in the 1920's* (Baton Rouge, 1954); J. Palamountain, *The Politics of Distribution* (Cambridge, 1955); R. W. Gable, "NAM: Influential Lobby or Kiss of Death?" *The Journal of Politics*, Vol. 15 (May 1953).

regulation were primarily concerned with administrative activities rather than "politics" (if I may be permitted a distinction that is widely regarded as *passé*, and may therefore be due for revival); and the kind of inquiry begun by Herring and Schattschneider was not carried forward. It may be, too, that the sort of clinical detachment that would enable the observer to put his moral commitments about "business" to one side long enough to observe the underlying forces at work was impossible in the temper of the Thirties and the crisis of War.

It may be possible now to pick up where the earlier writers left off, or even to start with newer insights and ideas. Lane's *The Regulation of Businessmen*, which appeared in 1954, presented a psycho-cultural interpretation of the problems of regulation that displays the kind of ferment of new ideas that marked the work of the earlier period.[35]

The factors to be considered. We are in the position, then, of having made a good start, even an exciting start. But we are hardly set for the long pull. Let me now consider very briefly some factors relevant to the problem of assessing the political roles of business in the contemporary order. I shall then undertake to examine what has been done, and what needs to be done, under these heads.

To the extent that one is concerned with relations of influence, the following questions need to be answered:

(1) What distinctions shall one make among the individuals or groups under investigation? "Business" is, after all, as various a phenomenon as "politics"; and taken simply in the large it may prove to have almost no meaning at all.

(2) What is the *basis* of the influence of one actor on another? That is, what kinds of resources are available to him for influencing the other?

(3) How does he actually use these resources, if at all? What are his *techniques?*

(4) In what parts of the political order does he employ these techniques? What is the political space or *arena* within which the influence relationship exists?

(5) On what kinds of matters, subjects, or responses? What is the *scope* of the relationship?

(6) How great an effect do the techniques actually have? How successful is the effort to exert influence? Or, in other words, what is the *magnitude* of the influence?

In addition to these six elements, which help to make precise any statements one might care to make about the influence of businessmen on

[35] New Haven, 1954.

politicians and bureaucrats, or of politicians and bureaucrats on businessmen, one might wish to answer some other questions in order to assess the political roles of businessmen. For example:

(7) What kinds of *motives* help to explain the political roles of businessmen? *E.g.*, what are the motivations of businessmen in their political relationships?

(8) What *attitudes*—their own or those of others—are involved in political relationships?

(9) What *ideologies*, comprehensive outlooks, or underlying structures of attitudes are at work?

The remainder of this section of my paper will consist, then, of a brief examination of the present state of our knowledge with respect to each of these questions, and the problems and possibilities of further inquiry.

Distinctions among businessmen. Differences in the political behavior of businessmen may be almost as significant as similarities. "Aims of different elements of the business community often diverge," Key writes. "Yet it cannot be denied that on some types of questions considerable cohesiveness prevails within the business community . . . . On all these matters investigation and discerning reflection are limited enough to leave us with wide areas of ignorance."[36]

It is a plausible and commonplace hypothesis that in some respects the political behavior of businessmen is a function of the size of the firm. The social, psychological and economic environment of the small businessman is often thought to be more conducive to extremism and intolerance than the bureaucratized and technical setting of the big businessman. But there is slight evidence on the point. In sample surveys the numbers of businessmen interviewed are usually too small to permit distinctions; consequently differences in attitudes that might be associated with size of business firms are left unexplained or are attributed to other factors, such as education.[37] Thus Stouffer's study of attitudes toward Communists and other dissenters reveals wide differences between well educated and poorly educated businessmen; but there are no breakdowns according to size of firm—and it is more than likely that size of firm and extent of education are highly associated.[38] However, in a study of support for McCarthy and political tolerance in Bennington, Vt., Trow found the expected relation. Surprisingly enough, when education is held constant, he found very little difference between

[36] V. O. Key, *op. cit.*, 3d ed. (New York, 1952) p. 118.

[37] The study by Bauer, Keller, and Pool, *supra*, n. 30, is an important exception.

[38] *Cf.* "The Businessman and Civil Liberties," *Fortune*, May, 1955, pp. 114–15. These data in *Fortune* were a part of a larger study, but were omitted from the book, *Communism, Conformity, and Civil Liberties*, (New York, 1955).

the attitude of manual workers and middle class people on freedom of speech and McCarthy's methods. But within the middle class itself, the salaried employees and small entrepreneurs were not only different in social origins and educational attainments but in their political orientations as well. Only a third of the small businessmen and merchants had gone to college, compared with half of the salaried employees. Taking only the high school gradutes, or only those who had gone to college, the proportion who supported McCarthy was very much larger for small businessmen than for salaried employees. He found, moreover, that the small businessmen were also more hostile toward big business and labor unions than the salaried employees (again with education held constant).[39]

One would also expect political behavior to vary with certain other characteristics of the firm, such as its geographical location, sources of supplies, markets, vulnerability to competition, and so on. Examples are easily found to underscore the point. Thus, at one time the opposition of the importer to tariffs was "taken for granted [in Congress], discounted in advance, and . . . heard . . . with irritation."[40] The situation has probably changed a good deal in three decades.[41] Or, to take another case, the growing foreign market for American automobiles is thought to account for the recent support given to reciprocal trade agreements by some leading automotive manufacturers. (What the growth in the American market for foreign cars will do remains to be seen.) Or again, because of the peculiar importance of state and federal regulatory bodies in the lives of public utilities, some of them have invested heavily in the art of influencing public opinion; the president of the Bell System was aware of the need for public support as early as 1913.[42]

It is important, too, to distinguish businessmen who are relatively active in politics from those who are not. It is possible that demographic variables together with the character of business firms will account for much of the variation in the political behavior of businessmen. But almost certainly these factors will not account for anything like *all* of the variation; they may not even account for enough of it to assure us that we are on the right track. Some businessmen (not many) are relatively active in politics; a great many others are not. How can we account for the difference? A neo-Marxist explanation would have it that some

[39] Martin Trow, *Support for McCarthy and Political Tolerance in a New England Town* (Mimeo, 1956), ch. II, "Class and Occupation."

[40] Schattschneider, *op. cit.*, pp. 159 ff.

[41] See L. A. Dexter, "Congressmen and the People they Listen To" (Mimeo, 1955).

[42] Norton Long, "Public Relations of the Bell System," *Public Opinion Quarterly* (Oct., 1937) p. 18.

businessmen serve as the specialized representatives of the entire business community; and there is a rough and ready sense in which this may indeed be the case. But the explanation does not fit well with the heterogeneity of the business community; in any case, the proposition is no more than an extremely general hypothesis with only superficial plausibility. As Schattschneider concluded from his study of the tariff fight of 1929–1930, "Contrary to facile assumptions, economic interests . . . are not universally active in promoting their interests in politics. . . . The political activity of economic groups seems . . . to be no more uniform than it is universal. Apparently, equal stakes do not produce equal pressures."[43]

The various bases and techniques of influence. It is conventional to assume that if businessmen—some businessmen—have influence over political decisions rather greater than that of the mythical average citizen, the basis of their enhanced influence is their larger wealth and income, in short, their "money." For techniques of influence are usually expensive. The more money one can dispose of—to put the matter in very general fashion—the more one has available to spend on techniques of influence.

It might be wise at this juncture to make a distinction between techniques of direct influence over policy-makers, such as campaign contributions and lobbying, and techniques of indirect influence. Thanks to the assiduous work of some Congressional committees, Louise Overacker, and Alexander Heard, the subject of campaign contributions has been rather thoroughly worked over (although only a part of Heard's work has yet been published). There is also a considerable body of material on lobbying, much of which deals with lobbying by business organizations. Most of this work on campaign contributions and lobbying is, of course, well known to political scientists.[44]

Yet while we know a satisfying amount about the techniques, we know very little about how successful they are. The problem of estimating magnitudes of influence is a formidable one; it is probably not too harsh to say that all we have at present are very detailed and conscientious studies of techniques and very little worthwhile evidence bearing on their success.

[43] *Op. cit.*, p. 163.

[44] On campaign contributions see Louise Overacker, *Presidential Campaign Funds* (Boston, 1946), *Money in Elections* (New York, 1932) and numerous articles in this REVIEW; J. K. Pollock, *Party Campaign Funds* (New York, 1926); U. S. Senate, 84th Cong., 2d sess., Hearings on 1956 Presidential and Senatorial Campaign Practices (1956); and 1956 General Election Campaigns (1957); A. Heard, *Money and Politics* (Washington, 1956); his forthcoming work is entitled *The Costs of Democracy*. On lobbying, *cf.* ch. 6 of Key, *op. cit.*, (4th. ed.) and passim.

In addition to the techniques that depend mainly on "money" are those that depend on "organization." In making his case for the "power elite" of big business executives, government executives, and military leaders, Mills speaks of "institutional means of power" and "the command posts": the key positions at the head of key organizations. We are informed that the members of his tripartite elite occupy "the command posts of the big hierarchies" ("nation-wide hierarchies of power and wealth").[45] But unless I have quite thoroughly misread him, Mills does not attempt to show at all precisely *how* these organizational hierarchies convey power, nor how *much* power they convey. One is left with the impression that Mills has displayed a good deal of useful information about some elite groups; but whether they are elites of *power* is quite another question. Whatever one may conclude about Mills' general thesis, however, there can be no doubt that he has pointed to a possible basis of influence in organizational structures which needs to be thoroughly investigated and analyzed.

One source of influence that may be undergoing some significant changes is control over employment within a firm. Until a few decades ago, control over employment probably gave the business leader considerably more influence over the overt political behavior of the worker than it does now. Paradoxically, as firms have grown bigger they have found it more difficult to exploit the employment relationship as a lever to control the political conduct of their workers. The old fashioned company town has become much less common. In the giant firms, the worker is usually protected by trade unions; and even where unions are absent, bureaucratization, impersonality, and modern personnel practices have generally replaced direct intervention into the workers' life. Many large firms propagandize their workers through company brochures and house organs, but the effects are difficult to estimate. Occasionally a firm will successfully stimulate its employees to "bring pressure" on public officials where some matter of common economic interest is involved; probably the threat of foreign competition to a protected industry offers the firmest grounds for political unity between management and workers. The techniques of "pressure" are almost invariably the conventional ones: writing letters or sending telegrams, usually with a common phrasing and style that betrays their inspiration;

[45] C. W. Mills, *The Power Elite* (New York, 1956), pp. 23–71 and *passim*. The idea may have been suggested by Karl Mannheim, who in his *Man and Society in an Age of Reconstruction* (London, 1940) spoke of "key positions" in a rather similar sense (pp. 153–4, 194, 202, 231, 363). It is significant that under the influence of the benign political institutions of Great Britain, Mannheim pretty much left these earlier views behind in his *Freedom, Power and Democratic Planning* (New York, 1950).

occasionally, however, a firm will encourage its employees to call on their Congressmen whenever the opportunity arises.

But there are three important respects in which one must qualify the hypothesis that employees have grown politically more independent of their employing firms in recent years. In the first place, the rapid expansion of "security" tests for employees in firms that that have even the slightest connection with national defense has put an exceptionally powerful means into the hands of employers; and it is a means that until the present remains virtually unregulated by public authorities.[46] In the second place, the mushrooming of welfare funds and pension trust funds has created vast new opportunities for control. Of the welfare funds administered by trade unions, we have recently heard a great deal by virtue of Congressional exposes. But much less is known about the power over employees provided by pension funds. Berle writes:

> There is a gradually growing feeling that pension trusts, for example, must be controlled. A pension trust ring could be something to bind a man beyond belief. It could bind him to his job. He could not change it without losing a substantial part of his life savings. He might be controlled in all sorts of ways. We are beginning to think even that the pension trust right which cannot be transferred to some other pension trust is suspect.[47]

In the third place, if (despite these two additional factors) workers have grown more independent, it seems altogether likely that executives and white collar workers have grown more docile. From workers, "the company" formerly secured an unwilling and overt compliance that could not endure once the balance of power shifted slightly. From executives and office employees, the compliance is evidently willing and even enthusiastic. Whyte's thesis on the rise of the organization man is too well known to need repetition here, but it is obvious that the existence of a broad layer of politically docile corporate executives and white collar workers could have profound consequences for the operation of the political system.[48]

On none of these questions is there much evidence one way or another. Nor are we better off when we turn to specific political activities of businessmen. Like upper socio-economic groups generally, their level of political activity as expressed in voting, campaign contributions, and political work is considerably above average; but the great bulk evi-

[46] Rlaph Brown, *Loyalty and Security* (New Haven, 1958), chs, 5–7, 18.

[47] A. A. Berle, Jr., *Economic Power and the Free Society, op. cit.*

[48] W. H. Whyte, *The Organization Man* (New York, 1956); C. Wright Mills, *White Collar* (New York, 1953); A. Hacker, *op. cit.*

dently content themselves with voting and discussing politics.[49] In his study of the social backgrounds of political decision-makers, Mathews found that "proprietors and officials" constituted between a fifth and a fourth of state legislators, state governors, Congressmen, Senators, and Presidents, vice-presidents, and cabinet members for various recent periods; the category was represented at a rate about three times its frequency in the labor force.[50] But again the category "proprietors and officials" is very broad; more detailed studies would be needed before one could differentiate among types of businessmen.

If we turn the question of bases and techniques around in order to look at it from the side of government—what bases and techniques are available to government leaders for influencing the behavior of businessmen?—we move from an uncharted sea into the whole ocean of political science. There are, none the less, some points worth keeping in mind. The question is of professional interest not only to political scientists but also to economists and lawyers; in some universities one can find courses on government control of business not only in the two social science departments but in the faculty of law as well. An examination of textbooks indicates that economists tend to treat the subject in rather narrow terms; they are, for example, fascinated by the anti-trust problem—which is, after all, a narrow segment of the whole domain. Political scientists are more inclined to a broader view, although they are prone to emphasize the legal and administrative aspects to the exclusion of "politics." Moreover, even among political scientists the treatment is heavily descriptive and non-theoretical.

The reason for this is probably not obscure: there is no existing body of theory adequate to the task of dealing with the intermediate areas between politics and economics. When the economist tries to extend his theory to cover governmental and political behavior, the results are unimpressive. Probably the most interesting and imaginative recent effort is Anthony Downs' *An Economic Theory of Democracy*,[51] which is

[49] In the often quoted survey by Woodward and Roper, about a third of the "executives" interviewed were rated as "very active" politically. According to the scoring system used, an individual who voted regularly, discussed politics frequently, and belonged to a political party was rated as "very active." *Cf.* J. L. Woodward and E. Roper, "Political Activity of American Citizens," this REVIEW, Vol. 44 (Dec. 1950), pp. 872–85. In response to the question "Have you ever written or wired your Congressman or Senator in Washington?," 67 per cent of the "professional and business' respondents of the American Institute of Public Opinion answered "No." (AIPO, Sept. 24, 1949).

[50] D. R. Mathews, *The Social Background of Political Decision-makers* (New York, 1954), Table 7, p. 30. *Cf.* also his "United States Senators and the Class Structure," in *Political Behavior* (Glencoe, 1956), pp. 184–92.

[51] New York, 1957.

a bold, vigorous, and lucid application of some of the economist's modes of thought to the task of constructing a comprehensive theory of the behavior of democratic systems. The book is less useful to a political scientist looking for a theory to explain "economic" behavior in "political" terms than it is to an economist seeking to make sense out of "political" behavior in "economic" terms. But it is unquestionably an important step forward in a field of inquiry where institutional and descriptive approaches by political scientists, and arid model building by economists, have all but stifled the growth of relevant theory.

If we turn now from more or less direct techniques to the indirect means by which businessmen may influence the actions of governments (and conversely) we face one of the most important and at the same time one of the most difficult assignments open to a contemporary social scientist. Perhaps the importance of such an analysis, and the difficulty too, can be suggested by comparing several alternative and drastically over-simple models of the political process in a "democratic" society. In the conventional normative model, the political leader is usually viewed as an agent of majority opinion. In the conventional "pressure" model, he is an agent of unequally weighted "pressures" brought to bear by individuals and groups with varying bases of influence, techniques, and degrees of success. If we regard the "pressures" that bear directly on the political leader as first-order forces, the pressure model can be made both more complicated and more interesting if it is enlarged to include forces of the second order, third order, and *n*th order: *i.e.*, the activities that generate these activities, and so on. In one oversimplified and extreme variant, the political leaders are assumed to be substantially autonomous—they themselves generate all the pressures to which they respond. In another extreme variant, the elected leaders are completely subject to "pressures" generated by autonomous elements elsewhere in the system. "Business" might be treated as an (or the) autonomous element.

Once we begin tracing out the chain of political forces to their "ultimate" sources, we move into a problem that liberal-democratic theory has found it more and more difficult to deal with. As Frank Knight has often pointed out, liberal theory tended to take individual preferences for granted; preferences were in some sense the ultimate irreducible atoms with which the liberal constructed his theory. But the atoms have proved to be reducible, after all, to more primitive elements.

The question is germane to our concern here primarily because of the rise of "modern" techniques for influencing opinion, and their adoption by business to influence individuals not only as consumers but also as citizens. Leaders who represent wealth and property have long recog-

nized the importance of public opinion for the maintenance of their condition. The election of 1840 might be taken as a convenient landmark, for in that election the Whigs finally turned their backs on the hopelessly outdated Federalist tradition of a dominant elite maintaining its rule independent of mass opinion. But as Kelley shows, it was not until about 1900 that large American business firms dropped their policy of aloofness toward public opinion and began to cultivate it. In 1902, Ida Tarbell discovered the changed approach in Standard Oil. In 1904, Ivy Lee and George Parker created their press bureau to explain and defend business before the public. By 1952, *Fortune* has estimated, there were 5,000 companies in the United States supporting public relations departments at an annual cost for supervisory *personnel* alone of around $400 million.[52] Mr. B. J. Mullaney, "director of the utility interests' Illinois information committee during their multimillion-dollar propaganda campaign of the nineteen-twenties," uttered the classic formulation of the importance of indirect techniques when he said:

> When a destructive bill is pending in a legislature it has to be dealt with in a way to get results. I am not debating that. But to depend, year after year, upon the usual political expedients for stopping hostile legislation is shortsightedness. In the long run isn't it better and surer to lay a groundwork with the people back home who have the votes, so that proposals of this character are not popular with them, rather than depend upon stopping such proposals when they get up to the legislature or commission?[53]

In 1937, Norton Long wrote his doctoral dissertation at Harvard on the public relations policies of the Bell Telephone Company; part of the dissertation appeared that year in *Public Opinion Quarterly*.[54] So far as I can discover, no political scientist took up the topic again until Kelley's book (originally a dissertation at Johns Hopkins) appeared in 1956. In his analysis, Kelley offers four case studies of "particular public relations men at work in particular campaigns"; these include the general activities of the firm of Whitaker and Baxter in California, their specific work for the AMA campaign against national health insurance, the Maryland senatorial campaign of 1950, and the 1952 presidential campaign.

As Kelley describes the assumptions of Whitaker and Baxter, one has the impression that they have unconsciously codified into operating principles many of the hypotheses about voting behavior that a careful

[52] Stanley Kelley, Jr., *Professional Public Relations and Political Power* (Baltimore, 1956), pp. 9–12.

[53] Senate Document 92, Part 71A, 70th Cong., 1st sess., p. 17, quoted in Kelley, pp. 12–13.

[54] "The Public Relations Policies of the Bell System" (Ph.D. dissertation, Harvard, 1937) and "Public Relations of the Bell System," *op. cit.*

reader of recent election studies might also make—assumptions that on the whole run flatly counter to the behavior prescribed in the normative models of democracy. The points of convergence and divergence would be worth examining. It would also be important to have more evidence bearing on the success of these efforts; but this is an enormously difficult problem, and one I propose to come back to in a moment.

The different levels of government. There are numerous "arenas" within which these techniques can be applied. Here I propose only to examine the accepted ones: the local community, the state, the national government and the international areas. Of these, the relations between business and national government have been by a very large margin the most thoroughly studied. There are probably several reasons for this: the greater saliency of the regulatory activities of the national government, the amount of material made available by public bodies, the general bias of American political scientists toward the national government, and the relatively less difficult methodological and investigatory problems involved in studying politics at that level.

On this subject as on most others the state governments are perhaps the most neglected. In addition to the article by Garceau and Silverman mentioned above, the only book by a political scientist dealing with the relations between business and the states appears to be Fesler's study of the independence of state regulatory agencies.[55]

In recent years, political scientists have left the systematic study of the local community largely to sociologists, whose preoccupation with social status and class has produced a curious, if mostly implicit, bias in their findings on politics. For these studies have tended to assume, not always explicitly, that social status and political influence are very highly correlated. The Lynds (and, long before, Lincoln Steffens), Warner, Hollingshead, Withers, and Hunter all discover a socio-economic elite that is also "influential" in the community.[56] Nearly all the interesting question are, however, swamped by a positive correlation between some sort of social status and some sort of influence. The important question might be formulated this way: On what kinds of issues are what kinds of people influential with whom? The evidence of these studies, unfortunately, does not permit an answer to this question.

A number of current investigations in various stages of completion will almost certainly enable us to handle the problem with more preci-

[55] J. W. Fesler, *The Independence of State Regulatory Agencies* (1942).

[56] R. S. and H. M. Lynd, *Middletown* (New York, 1931); *ibid.*, *Middletown in Transition* (New York, 1937); W. L. Warner, *The Social Life of a Modern Community* (New Haven, 1941); A. Hollingshead, *Elmtown's Youth* (New York, 1949); J. West (C. Withers), *Plainville, U.S.A.* (New York, 1945); F. Hunter, *Community Power Structure* (Chapel Hill, 1953).

sion than before.[57] Meanwhile, we are not totally in the dark. Mills departs from his colleagues in arguing that the new elites are nationwide in character; to those new elites, he contends, influence over local politics is of negligible importance.[58] There is a considerable amount of suggestive evidence for his hypothesis. The executives of national firms are often too much on the move to settle more than superficially into local politics.[59] Moreover, the outcome of local disputes usually can have only marginal effects on the large firm. Although many firms cultivate "community relations," there is a strong suggestion that what they are mostly interested in is good will—which they can lose by too much activity in local politics. If one can judge from some of the handbooks on community relations, the most highly regarded strategy among professionals is to commit oneself to politically neutral causes like the local community chest drive (which typically is headed mostly by men from the business community) and to avoid "politics" like the plague. One book lists 29 "don'ts," which are summarized: "Don't do anything, if it can be avoided, that will damage the community, injure or irritate its people, offend its traditions or customs, or otherwise show disregard for the well-being or good will of the community." The positive injunctions are equally innocuous.[60]

However, communities and business firms vary tremendously. Dupont executives appear to dominate Aiken, S. C., in a way that General Electric executives do not, and perhaps could not, in Schenectady. It is reasonable to suppose that the extent to which a firm attempts to influence political decisions in a community is a function of a number of variables, including the traditions of the firm, the size of the community, the extent of the community's economic dependence on the firm, and the existence and aggressiveness of trade unions. A great many more local studies will be necessary before the full range of existing relations

[57] These studies include San Francisco (by G. Belknap), Atlanta (by F. Cleaveland), Boston (by N. Long), Chicago (by E. Banfield), and New Haven (by R. Dahl).

[58] C. W. Mills, *The Power Elite, op. cit.*, ch. 2, "Local Society."

[59] Some industrialists do appeal to their brethren to be more active in politics. At the annual meeting of the American Petroleum Institute in Chicago, Ill., in Nov., 1958, L. R. Boulware, vice-president of General Electric (and a former War Production Board official) asked each industrialist to visit and convert fifty families to "a sound way of thinking and to an immunity to demagogues." At the same meeting, however, G. Romney, president of the American Motors Corporation "counselled big companies to stay out of politics. Instead of duplicating labor's political activities, business should 'deplore' them." *The New York Times*, Nov. 12, 1958.

[60] *Cf.* L. B. Lundborg, *Public Relations in the Local Community* (New York, 1950), pp. 68, 76, 78, 94, 206, 210; and F. R. Henderer, *A Comparative Study of the Public Relations Practises in Six Industrial Corporations*, (Pittsburgh, 1956), p. 109. However, see S. H. Walker and P. Sklar, *Business Finds its Voice: Management's Effort to Sell the Business Idea to the Public* (New York, 1938).

between businessmen and local governments has been adequately explored.

At the international level the researcher has until recently had very little to turn to in the way of concrete case studies. A few years ago, the National Planning Association began a series of case studies of the performance of United States business abroad: Sears, Roebuck in Mexico, Grace in Peru, Firestone in Liberia, etc. Although the studies vary in content and quality they are thorough and comprehensive.[61] In view of the fact that in many parts of the world the business firm deals with local populations—and local politicians—with a directness and impact greater than that of our formal representatives, it is obvious that the relation of the international firm to American foreign policies is a matter of highest importance. To take a little known example, Sears opened its first store in Latin America in Havana in 1942 and now has 60 retail outlets in Mexico, Brazil, Venezuela, Colombia, and Peru, employing close to 10,000 people, of whom less than 2 per cent are North Americans.[62] The importance of the oil companies in South America and in the middle-East is so well-known and so obvious that it needs no emphasis. Yet the relationships between the international corporation and American policy remain largely in the domain of gossip and speculation.

Scope and magnitude. Although the *scope* and *magnitude* of influence are analytically separable, it will be convenient in this survey to deal with them together. But it is essential to keep in mind that they are not the same thing. Over one scope—*e.g.*, legislation in Congress on taxes—an actor may have a large amount of influence; at the same time, over another scope—*e.g.*, legislation in Congress on foreign policy—he may have only negligible influence. Consequently no statement about the amount of influence an actor exerts has much meaning unless it contains a reference to the scope. Failing to adhere to this simple requirement has probably accounted for more obfuscation about the "power" of various groups than any other single factor.

In principle, it is possible to rank actors according to the magnitude of their influence over a given scope. One can do this by asking with respect to each actor: How great a change in the probability of an event taking place can be attributed solely to the activities of this actor? If nature and social action generously provide one with the appropriate information, one can then say that A is (or is not) more influential than

[61] Under the general title *United States Business Performance Abroad,* the monographs include *Sears, Roebuck De Mexico, S.A.* (1953), *Casa Grace in Peru* (1954), *The Philippine American Life Insurance Company* (1955), *The Creole Petroleum Corporation in Venezuela* (1955), *The Firestone Operations in Liberia* (1956).

[62] T. V. Houser, *Big Business and Human Values,* (New York, 1957) pp. 69–78.

B with respect to a given scope. But we cannot rank scopes, at least not without some "outside" criterion that has to be supplied by the researcher. Thus (in principle) it would be possible to say (meaningfully) that on matters of tax assessments in Jonesville, Smith is more influential than Brown; and on matters of school policy, Brown is more influential than Smith. But unless we agree in advance that school policy is in some sense "more important" than assessments, and therefore must have a greater weight, one cannot say that over the whole range of assessments *and* school policy, Brown is more influential than Smith; it will be readily seen that assigning weights would, at best, present a formidable problem.

The bearing of all this on our present discussion is that the more closely one sticks to statements about the influence of x class of businessmen over y category of outcomes (at time t), the more obvious and unambiguous is one's meaning, and the easier it is to test the truth of what one says. But the more one tries to speak about the "general" influence of business in American politics, the more ambiguous one's meaning and the more difficult to test for truth. Therefore any over-all assessment of the influence of businessmen on politicians, or *vice versa*, must be regarded as a kind of loose summary statement, the meaning of which must be sought for in a set of concrete propositions.

It is possible, nonetheless, to distinguish some approaches to the problem of over-all assessment of the influence of business in American life that differ radically in their assumptions (which are usually explicit only in part) as to scopes and magnitudes of influence.

The simplest and most straightforward way of looking at the matter is to hypothesize that there is a single dominant locus for arriving at political decisions, and a single, homogeneous group in control of the dominant locus. In this respect the Marxist and his ultra-conservative critic (who sees businessmen as completely dominated by politicians and bureaucrats) stand, intellectually, shoulder to shoulder. There are a number of important modifications of this approach. To Veblen, "Representative government means, chiefly, representation of business interests. The government commonly works in the interest of business men with a fairly consistent singleness of purpose."[63] Writing in 1904, Veblen was not perhaps so wide of the mark. In various ways and with various modifications, the Lynds, Brady, Mills, Hunter, and even Burnham at one stage adopt a similar viewpoint.[64]

At the other extreme are neo-pluralists like Truman, Key, and Lat-

[63] *The Theory of Business Enterprise* (New York, 1904, 1935), p. 286.

[64] O. R. Brady, *Business as a System of Power* (New York, 1943); J. Burnham, *The Managerial Revolution* (New York, 1941). And see citations in footnote 56, *supra*.

ham (and perhaps Berle) who suggest that there are a number of loci for arriving at political decisions; that businessmen, trade unions, politicians, consumers, farmers, voters, and many other aggregates all have an impact on policy outcomes; that none of these aggregates is homogeneous for all purposes; that each of them is highly influential over some scopes but weak over many others; and that the power to reject undesired alternatives is more common than the power to dominate over outcomes directly.[65]

The difficulty in choosing among these views, or even in developing another variant, is that we do not have anything like enough carefully formulated case studies of the roles of businessmen in politics. To be sure, library shelves sag with cases in law, business and public administration. But few if any of these cases are useful for testing hypotheses about influence, for the relevant questions were not in the minds of the authors.

It is perhaps a general characteristic of political science that we know a good deal more about techniques than we do about effects, partly, no doubt, because it is comparatively easy to observe and describe techniques and enormously difficult to measure effects. The difficulty of measuring effects is compounded by the fact that beliefs about the extent of business influence over government (and *vice versa*) serve psychological, ideological, and even economic functions. Lobbyists, advertisers, and public relations experts have a self-serving interest in demonstrating that they are highly influential. Thus Whitaker and Baxter "can boast of success in about 90 per cent of more than seventy-five . . . endeavors."[66] On a chance basis one would expect them to be on the winning side about half the time. How much of the difference can be attributed to Whitaker and Baxter? To find a satisfactory answer to questions like this is one of the most formidable problems of contemporary social science. Yet it is clear that no amount of description of techniques of influence will produce an answer.

Fortunately for the political scientist, the pay-off is usually a vote or election of some kind, a fact that would permit an imaginative use of election data to throw some light on the question. However, even where the pay-off is considered to be an election or a legislative vote, the more one moves away from direct to indirect techniques the more difficult it becomes to assess effects. How can we estimate the impact of institutional advertising on the attitudes of voters? How much of the generally

[65] It is an interesting and perhaps significant fact that the neo-pluralists are mostly political scientists, while the first group is made up mostly of sociologists.

[66] Kelley, *op. cit.*, p. 43.

favorable attitude of Americans toward business can be attributed to deliberate efforts to manipulate attitudes? Observers differ widely in appraising the extent to which business propaganda has actually influenced attitudes. In a characteristically astringent essay for *Fortune*, W. H. Whyte, Jr., concludes that the whole Free Enterprise campaign of American industry "is not worth a damn."[67] Mills argues the different but not necessarily conflicting point that the mass media are "among the most important of those increased means of power now at the disposal of elites of wealth and power."[68] Since one quickly begins to outstrip even the most advanced methods of analysis in trying to appraise the effects of indirect techniques, it might be argued that the subject should be dropped—at least by scholars, and at least temporarily. But the question probably cannot be downed so cavalierly, since too much in the way of political theory (both normative and empirical) depends on the assumptions one makes about the sources of political attitudes. To return to one of the extreme models referred to a moment ago, if one assumes that political preferences are simply plugged into the system by leaders (business or otherwise) in order to extract what they wish from the system, then the model of plebiscitary democracy is substantially equivalent to the model of totalitarian rule. There is probably no way at present of arriving at an adequately testable theory. If the question is to be dealt with at all, the theorist will need to exploit a broad range of investigatory techniques, factual materials, and intellectual disciplines ranging from historical studies to statistical analysis.

Motives and attitudes. In recent years political scientists have begun to turn their attention once more to the political significance of motivations, character, attitudes, and ideologies—a topic that most political philosophers from Plato to Rousseau assumed, as a matter of course, to constitute a problem of central relevance to any comprehensive theory of politics. The appearance of Lane's *The Regulation of Businessmen* in 1954 reflected this resurgence of interest; fortunately for the subject we are concerned with in this essay, the book deals with the attitudes, values, and ideologies of businessmen and (to a lesser extent) bureaucrats. It is based mainly on a "series of studies—marginal between case studies and ordinary, if prolonged, interviews—of twenty-five businessmen in two New England states," a content analysis of the magazine *Connecticut Industry*, and a study of violations of regulatory law committed

[67] "The Great Free Enterprise Campaign," in *Is Anybody Listening?* (New York, 1952), p. 7.

[68] Mills, *op. cit.*, p. 315. *Cf.* also V. Packard, *The Hidden Persuaders* (New York, 1957).

by the New England shoe industry.[69] Lane concludes that to the businessmen he studied the economic costs of regulation were relatively low; but the psychic costs were high. Regulation challenges the businessman's ideology, damages his self-image, generates frustrations by depriving him of customary choices, and creates anxieties by introducing new uncertainties into an already unpredictable environment. Further friction is generated between businessmen and bureaucrats because of differences in occupational traits, in the language they are accustomed to use, in standards of evaluation, and in their reference groups. It follows that among the important conditions for effective regulation of business are means for minimizing damage to the businessman's ego and changing businessmen's attitudes. But since the attitudes of businessmen are anchored in their group relations, the change must be through local communities (which differ markedly in attitudes toward regulation), business associations, and sympathetic occupational groups within the firm.[70]

It is too soon to say whether Lane's attempt to introduce a radically new perspective into the analysis of regulation will have the impact it deserves. But the rapid development of measures and scales for politically relevant attitudes opens up a whole new area of investigation that will almost certainly be exploited—if not by political scientists then (as is so often the case with questions of importance to the study of politics that have been neglected in the conventional organization of the discipline) by sociologists and psychologists.

While the study of the politically relevant attitudes and ideologies of businessmen can easily be assimilated into political science, the study of motivations can hardly move much faster than innovations in psychological theory and method permit. Nonetheless, even here there are some interesting new possibilities. N. Martin of the University of Chicago, in a still unpublished study, has made a comparison of certain kinds of motives in businessmen and government administrators. Some of the most intriguing possibilities along this line have been opened up by McClelland of Harvard and Atkinson of Michigan, who have developed measures of the relative strength of three motivations which they have called "need for achievement," "need for affiliation," and "need for power." In a dissertation in progress at Yale, J. Guyot is attempting to compare the strength of these motives among rising, middle-range executives in business and in government. Studies such as these will help to reduce the dependence on myths and impressions as a source

[69] R. E. Lane, *The Regulation of Businessmen, Social Conditions of Government Economic Control* (New Haven, 1954), pp. viii–ix.

[70] *Ibid.*, pp. 19–20, 72, 121–7.

of information about differences and similarities between business bureaucrats and government bureaucrats.

Equally if not more important, of course, are the images of business and businessmen reflected in the attitudes and ideologies of various American publics. Many of the conventional assumptions contained in political lore—such as the relatively greater hostility of mid-Westerners to "Wall-Street"—have never been tested except by a kind of impressionistic content analysis of political propaganda. In 1951, however, the Survey Research Center of the University of Michigan published a study of public attitudes toward Big Business based on the responses of 1200 persons interviewed in 1950.[71] Although the findings of the survey are somewhat difficult to interpret, three things stand out fairly clearly: If there is any widespread hostility in this country to big business, it did not show up in the survey; almost no one seemed to be worried about the political power of big business; and the role of big business in American life was not a salient issue to most people. About 76 per cent of the respondents said that the good things about big business outweighed the bad. When they were asked to rank big businesses with "businesses that are not big," labor unions, the national government, and state governments according to their "influence on how things go in this country," 13 per cent put big business first, although only 3 per cent *desired* it to be in first place; another 23 per cent put it in second place, compared with only 13 per cent who wanted it to be in second place. Paradoxically, however, only 3 per cent seemed to feel that big business had too much power over institutions such as government, newspapers, and schools—and 53 per cent felt that some sort of government control over big business was a good thing. (Nearly half the sample put the relative "influence" of labor unions as in either first or second place, and three-quarters of them preferred labor unions to be in third, fourth, or fifth place.) Only 25 per cent seemed to display any emotional involvement in the issue; the issue of "big business" was much more likely to be salient to a member of the small minority who disliked big business than to those who felt the good outweighed the bad.[72]

Now in this case as in most others we do not know nearly enough about the attitudes of people. What sorts of people, for example, make up that group to whom the issue of Big Business is salient: that is, those who not only have some information but some feelings on the matter? And what sorts make up that small minority of "radicals" to whom the issue is salient and who say that the bad things about big business out-

[71] The Survey Research Center, Institute for Social Research, University of Michigan, *Big Business from the Viewpoint of the Public* (Ann Arbor, 1951).

[72] *Ibid.*, pp. 18, 20, 26, 44, 56.

weigh the good? Are there important geographical differences in the distribution of attitudes? What *kinds* of influence do people perceive, and how do they respond to different kinds of perceived influence? Are individuals in positions of political leadership markedly different from others?[73]

One plausible conclusion, however, is that as with most public "issues" the role of business in American life is a matter of immediate concern to only a minority. It is extremely doubtful whether the problem of the "legitimacy" of the power of the large corporation in American life is meaningful to anyone outside a tiny group of perceptive observers like A. A. Berle.[74] Whether the active minority concerned with Big Business is significantly larger or smaller than the active minorities concerned with many other important policy areas, one cannot say on the present evidence. So long as the performance of business measures up moderately well to expectations (as the Michigan study suggests it did in 1950), the problems associated with the roles of businessmen in American life are unlikely to occupy more than the sporadic attention of decision-makers and attentive publics. But if business fails again to meet popular expectations as dismally as it did in the decade after 1929, there is nothing in the SRC or other studies of opinion to suggest that public attitudes would not shift rapidly and vengefully against business and produce extensive changes in the existing system of relations between business firms and the government.

What these changes might be, however—or even what a stable future is likely to hold in the way of evolutionary changes—is difficult to predict in the absence of any well-defined ideological alternatives, in the United States, to the present order. Paradoxically, the very absence of any competing ideology critical of business, reformist in mood, and deeply rooted in American beliefs and folkways, may be conducive to relatively violent and abrupt changes, should business performance ever again run sharply counter to popular expectations.[75]

[73] It is only fair to point out that the SRC study (a) calls attention to some of these gaps (p. 134) and (b) reports that census-type variables "do not seem to differentiate those seeing or desiring different order positions [*i.e.*, in ranking Big Business with the other four institutions] to any significant degree." (p. 103).

[74] *Economic Power and the Free Society*, *op. cit.*

[75] Political scientists who teach courses and/or write textbooks on "government regulation of business," "public control of business enterprise," etc., might feel, with considerable justification, that they have been given short shrift in this section and indeed in the whole essay. Since I have been largely concerned with gaps in our knowledge, I have not stressed the one area where a good deal of work has been done, namely the operation of legal and administrative regulatory mechanisms. Standard works include M. Anshen and F. D. Wormuth, *Private Enterprise and Public Policy* (New York, 1954); M. E. Dimock *Business and Government* (New York, 3d ed., 1957); H. Koontz and R. W. Gable, *Public Control of Economic Enterprise* (New York, 1956); H. R. Smith, *Government and Business*

IV. BUSINESS CIVILIZATION AND THE POLITICAL ORDER

The capacious, far-ranging, reflective work of a civilized mind wrestling with the giant problems of an historical period is not usually reducible to a set of research papers. A concern for the relations between a business civilization and a popular political order has generated some of the most creative and influential writings of the past half century. One thinks at once of Tawney, Veblen, Weber, Schumpeter, Hayek, Fromm, Mannheim, Lippman, and Popper, to name only a few. Of this particular group, it is significant that all were strongly influenced by the nineteenth-century view of "capitalism" and "socialism" as distinct, mutually exclusive, conflicting systems. Only two were American by birth and education. None can be classified as a professional political scientist, although economics, history, sociology, and philosophy are represented. Some of the problems these men were perturbed about seem no longer relevant. Others persist. New ones appear.

There is, certainly, no lack of questions for the social philosopher: What criteria ought we to use to appraise business performance? Are these consistent with the criteria we use to appraise performance in government? What are the consequences for American life, politics, attitudes, and civilization of American business behavior? How ought one to evaluate these consequences? How can the adverse consequences be minimized and the advantageous consequences maximized? Is our civilization consumption-oriented to a greater degree than others? If so, how is this related to business influences and needs? Do our commitments to the idea of maximizing individual consumption lead to a neglect of goods that can only be consumed or enjoyed jointly? Or to a relatively heavy emphasis on "material" as compared with "ideal" personal orientations? Does a business culture generate a relatively large amount of personal alienation, isolation, and anomie? Is the growth of the Organization Man a fact? If so, why? Does business competition help produce highly "competitive" personalities—or is this merely an illusory play on words?

Conversely, in what ways does the existence of the American political order influence the behavior of business? How, for example, does the political order affect the rate of economic growth? The allocation of resources? The distribution of incomes? What changes would be required

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(New York, 1958); M. Fainsod and L. Gordon, *Government and the American Economy* (rev. ed., New York, 1948; a new edition is under preparation by J. Palamountain); E. S. Redford, *Administration of National Economic Control* (New York, 9152), and his *Public Administration and Policy Formation* (Austin, 1956). *Cf.* also M. Fainsod, "The Study of Government and Economic Life in the United States," in *Contemporary Political Science* (Paris, UNESCO, 1950).

in the political order for given changes in the rate of growth, or in the patterns of resource allocation or income distribution? How much did the political order contribute to the relatively high rate of growth over the past century? In what respects does it facilitate or impede our "competition" with the relatively high rate of growth in the USSR? How, if at all, is the political order related to innovation and invention? Is the influence of corporate businessmen over economic decisions excessive? What decisions? And by what criteria?

Are the old issues involved in the struggles over the regulation of business, the welfare state, planning, and, in other countries, socialism largely dead? If not, what is their current content? If so, what are the new or future sources of tension generated in the relations of the political to the economic order?

And so on. There is no dearth of important and even urgent questions. But political scientists do not, by and large, seem to be searching for answers.