

Political Theories and Corporate Governance Impact upon Political Efficacy and Energy:  
KAM VII

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SBSF 8710: Classical Theories of Political Institution and Corporations

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Breadth Abstract

This study will heavily engage the traditional theories as to how they relate or explain capitalism, corporate power and expansion. Thus, the foundation of this literature review is a discussion about the theories presented by Schumpeter, Weber and, Bowman (1989). Each of these theories attempts to describe aspects political institutions in democracy and capitalist economies that impact the development of social and political structures through post modern society. These works present some clear opposing points, but they each provide a set of discussion points that, when reviewed together, can provide an analysis of the potential of capitalism in post modern society.

By discerning the traditional approaches along with some current related work, we can determine how these theories have application to the current social structure. Using this path, the literature review considers the perspectives about corporate power and expansion where the foundation in theoretical capitalist traditions will help to focus the formulation and design of the research towards a quantitative study using specific and isolated variables as they relate to each other.

SBSF 8710: Classical Theories of Political Institution and Corporations

*Breadth: A Critique of Classic Traditions in Post Modern Society*

For a liberal and democratic society to exist, the institutions in government have to be free to exercise the public interest. Challenges to the basic foundations of political institutions can have a profound effect upon individual political efficacy, and thus, this essay will examine the affect of corporation growth over the past few decades upon political institutions, efficacy, policy and social change. Currently, there are efforts to reform policy in Congress, but without considering the impact of corporations, they fail to address core issues and realities of policy. Domhoff (2008) and Mills (1956) suggest that there are coordinated power elites at work to affect policy, but their discourses do not specifically address possible correlations between corporate expansion and the affect upon efficacy, the population and policy. Rather, they focus upon empirical observation of a couple well connected entities to derive their assertions about power. Schumpeter (2008), and Weber (2008) disagree about the future of capitalism as well as with the future of basic entities of social and political structures.

This study will heavily engage the traditional theories as to how they relate or explain capitalism, corporate power and expansion. Thus, the foundation of this literature review is a discussion about the theories presented by Schumpeter, Weber and, Bowman (1989). Each of these theories attempts to describe aspects political institutions in democracy and capitalist economies that impact the development of social and political structures through post modern society. These works present some clear opposing points, but they each provide a set of discussion points that, when reviewed together, can provide an analysis of the potential of capitalism in post modern society.

Then, we can review how current research about these theoretical approaches describes the current atmosphere as interpreted by newer works that invoke the theoretical constructs issued by Weber, Schumpeter and Bowman. By discerning the traditional approaches along with some current related work, we can determine how these theories have application to the current social structure. Using this path, the literature review will consider the perspectives about the issue of corporate power and expansion. The foundation in theoretical tradition will help to focus the formulation and design of the research towards a quantitative study using specific and isolated variables that can be measured as they relate to each other.

The literature review will examine how Bowman (1989) interprets corporate power theory as a form of advanced capitalism and how this relates to American capitalism and society. Here, we understand the role of the corporation in economics, society and political institutions. Given these roles or ideas of these roles, we can build a credible analysis of (how and why) post-modern society has embraced corporate power and the various affects of that power.

The literature review will focus upon these works:

- a) Schumpeter (2008). Capitalism, Socialism and Democracy.
- b) Weber (2008). Protestant Ethic and the Spirit of Capitalism.
- c) Bowman (1989) Corporate Power Theory, Ideology and the Law.

*Capitalism, Socialism, and Democracy*

Schumpeter's (2008) classic work critically argues aspects of capitalism and socialism as they relate to economics, motivations and use of labor. He starts by examining Karl Marx as a prophet, sociologist, economist and a teacher. Schumpeter believes that Marx provides significant views towards economics and sociology, but he believes that Marx falls short of being an effective teacher and as a visionary prophet. Thus, Schumpeter attempts to build a brand of theory that aligns with capitalist foundations, capitalist weaknesses and socialist intentions.

Schumpeter said that "one may hate socialism... yet foresee its advent" (2008:61) indicating that regardless if one like socialism that a form of socialism is inevitable.. In the first few chapters of his work, he describes his interpretation of Marx's ideology in an ironic but glowing appreciation of capitalist achievements. He believed that Marx did not impose a materialistic interpretation of economic theory and implementation, but he asserts that economic conditions shape motives and society. Further, production determines the characteristics of society rather than a supposed individual's location within the particular processes because the various production forms have their own logic basis.

He argues that social class is intrinsic to economic theory as Marx did. Economics and history tend to be defined by the class interest and how the class actions manifest over time. Yet, he argues against Marx's point about immobility of classes despite a pronouncement of ownership as a determinant of group's position in society. A capitalist knows how to borrow from others' savings or to accumulate through force or manipulation. Schumpeter argues that capitalism is a natural evolution of social structure

from feudal systems. Essentially, he suggests that social class and economic interpretations are actually implementations of each other even though they are supposedly separate doctrines. This aligns with statements made by Weber about culture defining economic capacities of a society (this will be covered later).

Schumpeter rejects a socialist viewpoint of capitalism as strictly a theory of exploitation, but capitalism has elements of “hedonist enjoyment of profits” despite any Protestant ethic characterized as parallel to that enjoyment. He handily rejects the idea of purely competitive markets except in the case of agriculture because wage movements will reduce any ability to achieve surplus profits in those markets. He also rejects the idea of pure monopoly markets (without state intervention). He also believes that oligopoly is an actual state of war between firms and no actual equilibrium exists. He asserts that technology changes and that forces changes in business structures, but he does not address when a monopoly or oligopoly can successfully suppress competition. .

Schumpeter charges that both Marx and his critics are prone to failed ideas or claims that have been proven wrong, but theory of a future is “slowly and laboriously accumulating” information. He believes that economics and social structure are a process of many variables that makes reasonable measurement difficult at best.

Capitalism is best at a process of creative destruction whereby innovation destroys old processes or technology and perpetuates a system where current systems are generally inferior to future systems because speed and performance have supposedly increased with evolution. Capitalism is an organic and evolving system that allows more people to attain finer things (distribution of goods to more people with less). This

proclaims the notion that the capitalist process raises the standard of living for the masses.

In terms of business, prices are then a function of wage rates, and capitalism can not eliminate unemployment. This is one of the many seeds that he notes that could be the destruction of capitalism as he notes that capitalism plants the seeds of its own destruction. He argues that capitalism is fragile and, at the same time, destroys human values. He argues that social order has to provide for rules about child labor and assistance for unemployed (yet still provide motivation to be employed as productive labor resources). He notes as well that price rigidity may be a function of labor negotiations rather than specific business policy. As well, business strategy aims to avoid fluctuations in the market (Schumpeter, 2008: 92).

Essentially, Schumpeter argues that capitalistic growth occurs despite “favorable conditions” (2008:73). The capitalist order casts the bourgeois society in purely economic models of progress via making or losing money that defines one’s success in the process. Therefore, there is a direct relation between capitalist order and the rate of increase of total output with an expectation of repetition of performance or failure to work. The best capitalist order is the environment that encourages growth and designs a “scheme of motives” (Schumpeter, 2008: 73) promising wealth with a healthy threat of destruction. Thereby, the potential success of the order is equal to the potential failure (as well as the impact upon the masses). This is because the success and performance is geared towards money-making rather than social services. Yet profit motive, by itself, does not directly counter specific interests of the consumers (Schumpeter, 2008).

Schumpeter (2008) believes that economic theory is a consequence of the culture that lives the theory. He asserts and refers to the idea that classic traditions and feudal systems were appropriate for their times due to the circumstance of their societies. He argues that one could not transplant modern capitalism into these cultures with tremendous success.

Schumpeter refers to the term “creative destruction” as the greatest asset to capitalist whereby new processes and devices continuously improve upon previous designs. In a working capitalist state, monopolistic structures will kill competition as well as the primary efficiency output hypothesis of capitalism. Cost of goods is relative to one’s labor hours to purchase rather than an abstract monetary value. In this creative destruction, perfect competition and monopolistic big business are mere fantasies unless subsidized by the state since capitalism is hardly stagnant due to the constant engineering of innovation and production. This suggests an inevitability that oligopoly and monopoly will over time change or be reduced because someone will always change the supposed equilibrium.

Schumpeter argues fervently against the monopoly structure as a destructive force against innovation and conserving any obsolescent industry is foolish (even for the state). One might argue that there is a point to avoid a crash as he notes with regard to the Great Depression, but cartel businesses in these giant structures will be more interested in sabotage of progress and threaten future capacity. The inevitability of instable monopoly structures suggests that “trust-busting” is completely unnecessary since the winds of the market will force changes as he notes about the railroads and automobiles.

The creative destruction that he proposes suggests that progress requires abandonment of old investments and ideas. Any field that is controlled by big interests will fight any threat to current capital structures in order to avoid potential losses which also fights potential progress. This is evident in the previous analysis about power elites that have significant investments in current generation and transmission technologies will be less likely or even hostile towards policies that encourage a change in that formula (Hansen, Aug 2009). This discussion considers how socialists might be cost conserving as well because a socialist could not simply “scrap plants and equipment every year” (Schumpeter, 2008: 98), but they might view new methods as assets if they can perceive the new methods to have a greater lifetime than the old ones.

Schumpeter argues that monopoly markets are not open to penetration of same commodity and pure cases are rare that show how one firm has the power to exploit at will. Yet, he contends that size is not a requirement for production or operational efficiency, and monopoly is a short term circumstance (aside from government intervention). As well, the concept of entry into a new field defeats the theory of perfect competition, but markets that are close to perfect competition are engines for innovation and long-term expansion.

Schumpeter then discusses capitalism as a state of perpetual crisis with minor effects of profit or upswings (as a partial reinforcement of his earlier work about theory of economic business cycles). He goes further in this work to describe how capitalism requires increases in population in order to gain additional demand or they have to find new markets to “grow” demand. Using marketing, they can create want that appeals as

demand, but want and effective demand are not the same but rather “economic dangers of deficiencies” (Schumpeter, 2008 :114).

As well, the more closely tied to a particular process or unit of production that a region or country becomes, the less confidence there will be in the process when that element is creatively destroyed (Schumpeter, 2008). Further, the tools, machines and equipment complement the labors of the current society. Thus, a rise in one region may diminish or be catastrophic to another region. We can see evidence of this in Michigan with respect to the automobile industry during the recession of 2008-2009. Interestingly, Schumpeter (2008) raises opportunistic opinion about growth of investment opportunities with the rise in mass affordable house building. Yet, Michigan reminds us that such opportunities and innovation have the capacity to destroy “the economic usefulness” of certain orders and traditions, and as well, a decline in savings will lead to total output decline. Thus, he advocates public planning of social needs or a brief social net to offset the negative swings of capitalism for those times (except if the financing imposes upon private business).

Without these elements of social protection, capitalism, left bare, breeds social unrest and hostility as deficiencies are exposed and profits dematerialize. Further, the growth of capitalism and stock ownership leads to “absentee ownership” that is not subject to, or does not encourage, moral allegiance as actual ownership of physical entities did (Schumpeter, 2008). Political criticism will lose rationality as restraints are sacred traditions are removed for profiteering especially since short-term profits and inefficiencies rule the current views rather than long-term considerations. As well, the

long term interests are intrinsically linked to upper class bourgeois society that becomes the apparent viewpoint of that “class”.

The short-term improvements will be taken for granted until the system can no longer support them (Schumpeter, 2008) or the creative destruction process redistributes the wealth somewhere else. This yields a level of insecurity that ripples throughout the society as unrest. Again, the logic of a capitalist society is that there is a need to create, educate, and subsidize a vested interest in social unrest. Expansion of an intellectual class via new information technologies and expansion of educational opportunities increases the supply of “white-collar” beyond cost-return points. There is continuous rate of unemployed and employment with substandard work. Discontent fosters resentment and the hostility increases with every achievement of capitalist evolution. This suggests that the maxim, “all boats rise when the tide comes”, is less than accurate since hostility would suggest that some boats would not be able to “rise with the tide” of capitalist expansions.

He continues to suggest that the rise in intellectuals has lead to interference in politics where they should have left issues alone. Schumpeter almost proclaims that the “class war” is an invention of the intellectual when they interfered with labor politics (2008: 153). Politics is the profession of getting one’s own interests to be represented rather than a social good. Yet, one has to consider how a labor class, which may have been deprived of education opportunities, would be able to get change without using intellectual resources.

The labor needs and those of the bourgeois society may be in conflict with each other, but that may not necessarily be a warfare situation. Yet, if capitalism is to be able

to make rich people out of under-privileged people, there awaits an inevitable situation where someone will “interfere” in the business or methods of others, and that may be labeled in such a way that suggests the threat could penetrate or harm the bourgeois class. In a way, there may be capitalist competition for business where those with current investments view those without as threats to current capital structures. As well, Schumpeter (2008) argues that capitalist produce depressions by a habit of hoarding their so-called loot.

Bureaucratic management of society is not just a socialist design but according to Schumpeter is a complement to democracy rather than an obstacle (2008). As well, many corporation structures are deep bureaucratic structures. Many socialists’ views revolve around one’s own ascent to power (e.g. the destruction of the current apparatus) (Schumpeter, 2008; Socialist Workers, 2009). This ignites more discontent with and against a socialist arrangement from the current bourgeois.

Change happens depending upon 1) reconditioning 2) habits and 3) malleability of those involved. Responsibility does not have to mean a dramatic shift of who is in power, but current responsibility could be reproduced in a future socialist society. As well, socialist will have to prove and subscribe to the benefit of a different type of economic progress where eventually the relevance of this economic progress becomes less important. Socialist should focus upon self-discipline and confer fewer privileges to the Haves versus those of Have-Not’s. Social order will work best when moral allegiance and better attitudes are focused towards one’s own work. Schumpeter contends that “workers disapprove [today] because they are told to do so” (2008: 211) where common

sense is actually obscured from the same person that is excited to vote for policies that are to one's own disadvantage.

Schumpeter argues that an authoritarian discipline is not cohesive (e.g. China or Cuba) with a socialist order where democracy and socialism are possible to work together. The group discipline of socialism would proceed authoritarian structures much like feudal structures where predecessors to bourgeois. The society would be vested less in the social unrest of capitalism and eventually maintaining discipline would no longer be required. This would depend entirely upon the ruling personnel and circumstances of the country to reject force as a tool for socialist transition or to maintain a dictatorship of the proletariat. Essentially, Schumpeter seems to suggest that piety, connection to one's work and neighborly compassion would rule a person's actions and attitudes towards each other. Through acceptance, encouragement and allowance of socialist thought, there would be a gradual change of society (rather than Marx insistence upon radical revolution) and economic structure towards a different perception of work, people and the society especially as parts of current society become hostile towards capitalist doctrines. Schumpeter insists that many of the structures in modern society will be useful and needed for a cohesive and functioning socialist society.

*The Protestant Ethic and Spirit of Capitalism*

When one first starts to read this work, a parable (comes to mind) from the Bible that discusses how a master gave three servants different sets of money and the subsequent reaction to the servants ability to use the money to make more (or not). (Matthew 25:13-30). The first two servants at least doubled their “talents” where the third buried the money and made no more. The third servant is scowled and thrown out of the house for being “lazy”. Yet, the parable master argues the servant could have earned interest on the money, but this defies Aquinas (2002) assertion that earning interest is a sin. The difference between Aquinas and Weber becomes more apparent as Weber challenges that traditional thinking of earning money.

Max Weber (2008) wrote this classic text in an attempt to define what he called modern capitalism and its motivation roots in Christian (as well as other religions) traditions. Weber’s work is heavily based upon the premise that particular denominations of Protestants were more adapt at being true capitalists based upon some fundamental ideas about virtue and productivity as well as how one’s faith intersected lifestyle. He claims that the previous generations of people were less productive and less efficient because their church was not a strong part of their life. This is a difference than Schumpeter who believed that the institutions of capitalism evolved over time and the circumstances of that particular society made aspects of capitalism more or less realizable at their particular time.

Weber argues that capitalism exists where Protestants that were participating in economic cycles usually had some previous capital ownership and maybe an expensive higher education. He would align somewhat with Schumpeter that culture does affect

one societies ability to have capital growth and another culture that does not except his concept is geared towards specific attributes of relationship to church, piety (Ben Franklin could not become a true entrepreneur due to his attitude towards excessive wants), rules of finance (Catholics generally believed interest to be a device of sin) and where they were interested in more than simply providing for the family.

Weber refers to Montesquieu who suggests that progress involves piety, commerce, and freedom. While he suggests that Franklin may be too pious, piety should not prevent someone from attaining capital that in turn helps others. Through commerce, one can use acquired capital and spread through commerce. Thus, the capitalist has distinct interest in freedom to do commerce. Weber claims that Protestants are more productive and more interested in enterprise than Catholics which have greater preference for craftsmanship and security. Capitalism is not a renunciation of religion or should not be unfairly labeled as materialistic or “anti-ascetic joys” (Weber, 2008: 47).

Weber refers to a “spirit of capitalism” to counter that unfair label. He refers to axioms that espouse aspects of capitalistic growth and encourage entrepreneur concepts.

- 1) Time is money (Marx and Schumpeter would easily agree here).
- 2) Credit is money. One should make good use of credit.
- 3) “Money is prolific, generating nature”(Weber, 2008:49). Be mindful of owed and accountable to expenses.
- 4) Modern capitalism requires a particular ethos.

Again, he refers to Franklin having wholesome virtues, but Weber suggests that virtues are virtues when they are useful to the individual. Since Weber believes that people are dominated by making money; its acquisition is the purpose of life. Further,

the social ethic of capitalist culture, if one agrees, is based upon obligations that drive individuals towards the context of professional activity. Yet, capitalism can not be unrestrained use of labor without an undisciplined precept of right and wrong.

In this, Weber refers to use of “piece-rates” as wages for productivity. Weber argues that people will, however only work for the price offered rather than attempt to earn as much as they could with as much work as one could give into a process. Also, low wages will fail to maintain skilled labor for more technical goods, and capitalism is aided by education to build a constructive society that avoids “stonewall of habit” that prevent more efficiency. Thus, he returns to the need for overcoming traditionalism and comfortable attitudes towards life of frugality where people get to the top “because they did not wish to consume but to earn” (Weber, 2008: 62). Those who made fortunes were doing no greater deed if they would give gifts as insurance against the uncertainties of death rather than to build more.

Essentially, Weber’s primary argument is that modesty does not conform well or rationally to capitalism. Capitalism does well where there is a development of rational behavior and attitude among the whole. The development of a strong vibrant capitalist economy is founded in a Puritan fortitude to quiet apprehensions over possible salvation by performing good deeds with finances and building infrastructure. Those without this type of religious upbringing are severely disadvantaged since they do not have motivations that are more than mortal based (salvation or damnation).

Weber believes that the Puritan determination towards work as a “calling” provides one with an ability to fully use the gifts given to them by God. The question remains whether the ends of this determination are truly selfless even though the

objective is supposedly not profit or other worldly goods but perhaps prestige. He recalls that Puritan objection is against the simple possession, enjoyment of wealth with idleness or temptation of the flesh. Their motivation is activity that serves the glory of God and a waste of time is among the deadliest of sins especially since time is money. The Puritan teaching is to do God's work for divine glory not simply as a calling to submit.

This heavy emphasis upon the Biblical understanding of work ethic provides a strong psychological consequence especially since the class system is an example of divine construction of social roles. If people are assigned to roles in life from some divine arbiter, the only way to switch a *calling* is in order to please God according to Weber's description of the Puritan method. A person without a calling will lack systematic methodical character for rational labor, which may also suggest a desire for people to stay within the realm of the particular culture. Deviation without a proper "calling" would be sinful and destructive to the person under these conditions.

Weber reinforces the ability to profit was perpetrated then as a need to achieve a "purpose" (Weber, 2008:162). As well, wealth is bad when used for only temptation and idleness. Weber notes the story from the Matthew gospel mentioned earlier. That by this framework, the third servant who buried the money, wished to be poor and was equivalent to saying he wished to be unhealthy and full of sloth. Yet, use of scripture, Weber, notes is not without issue since natural law of Old Testament have been altered to eliminate "non-necessary" elements that were not cohesive with modern life. One can not mistake the rise of the middle class morality by the Puritan community that challenged the authoritarian rule of the King.

The Puritans hatred of scholastics as mystical rejection of God prevents them from truly expanding capitalism. This rejection provided a means towards uniformity of life which aids the attempt to standardize processes by the capitalist. The Puritan ethic requires that acquisition is done only for God's will and, as well, condemns dishonest or blatant impulsiveness. (This contrasts modern marketing methods completely that argue that an impulsive want is a personal reward in a more utilitarian ethic). As well, the Puritan savings are only a means to build more productive investment of capital (e.g. God's work).

The Puritan ideals of capitalist order eventually gave way to pressures from wealth temptations that lead towards more utilitarian ideals of capitalism noting that while riches have increased, religion has decreased in importance. The search for the Kingdom of God gradually has gradually been replaced by a "sober economic virtue" for a rise in utility principles. Still, the bourgeois retains some of the features and beliefs (e.g. unequal distribution of goods is a Divine aspiration). As well, alms giving and begging are less tolerated. The utilitarian ethic alters the perception of the role of a capitalist by allowing one to exploit by business activity or labor over any particular "calling".

Still, the Protestant and the principle of capitalism reject a solitary ownership of all means and therefore reject monopoly (Weber, 2008). This is in line with Schumpeter (2008) assertion about monopoly, but Schumpeter argues that monopoly can not remain such for long. Weber (2008) claims that the religious basis of worldly ascetics faded long before Franklin wrote his material and mechanical capitalism simply did not need the religious ascetics.

An interesting proposal Weber makes is that diminishing religious attitudes may either regain in power someday or capitalist society will regress into a polished embellishment of a “convulsive self-importance”. Post-modern society can see examples of both of these ideas.

Weber’s assertion that Protestants were the reason that modern capitalism may not be desired as much in today’s world and viewed with political correctness aside, he may have a point. Yet, the growth of capitalism in Europe and North America is probably due to colonization where someone in Europe saw the need for new markets and thought the new world presented an opportunity to gain land and assets that were occupied by aristocracy in Europe. Some of those in aristocracy may have been Catholic or Lutheran or Jew, but they controlled their part of the market and their profit formula. Some of them may have learned from the Ottomans who learned how to make money from trade across the Orient, but discarded Islamic requirements of community in those teachings. Thus a proviso that virtue is only useful when the virtue is useful to the person derives a strong utilitarian virtue and as well, a profession of faith to believe in principles of God and to hoard money, in the name of God, does not make exploitation of people a worthy adventure.

*Corporate Power Theory*

Political theory helps one to model ideas of power and public decision making in terms of economic, social and political needs for a society or nation. That political theory is formed in and around institutions of governance where the power is exercised. For capitalism in the 20<sup>th</sup> and 21<sup>st</sup> century, corporations have had a prominent role in the economic development of society as well as affecting the political institutions. Bowman (1989) details how corporation power is derived, how that power is considered in terms of political theory, as well as how that power affects social and political institutions outside of the basic economic function of the corporation.

For the purposes of this review, we are focused upon how Bowman thinks that corporate power is explained or justified in modern liberal political thought and society since this reveals an interpretation of capitalistic growth. While Bowman believes these to be interdependent, we do not have to examine or argue the application of corporations to legal realms except to understand that corporations are, for the most part, given constitutional privileges and rights that are given to individual American citizens. Using the theoretical context of the corporation power (especially for supra-national corporations) as an application of modern capitalism, the discussion can better understand the implications and changing nature of post-modern society, economies, and political institutions.

Bowman (1989) reviews several liberal and non-liberal theories about the "nature of corporate power", and he isolates a "liberal justification" for corporate power rooted in American social structures. He believes that this review is not dependent upon "artificial social divisions" or economic determinism (vii). He asserts that socialist theories do not

recognize the political nature of the corporation despite the corporate affect upon marketplace and property. In essence, corporations (especially the supra-national corporations) are complex entities that have a specific set of economic purposes with social and political significance.

American capitalism has been bound to the success and growth of these corporate entities, and therefore, we must consider the relationship of corporations to the ideals of political theory and economic growth (Bowman, 1989). Again, he suggests that one can not simply view corporations in terms of economic interests alone since they have political roots and have evolved into manipulators of control over the American economy and political system. Each corporation operates as a legal entity that has rights owned to individual persons despite the fictitious nature of the entity, and each corporation has direct power over internal structures (e.g. people) and affects to external structures (e.g. markets). Each corporation uses these ideas in different aspects which makes theorizing the corporate power as doctrine, or in terms of conceptions, to be a difficult task that requires knowledge from several academic disciplines (Bowman, 1989). In this respect, Bowman provides a thorough disciplined approach to studying corporate power affects in the marketplace for economics as well as social and political institutions.

The American corporate character has been constructed in terms of neo-liberal ideas of capitalism that reduces government interference in the internal affairs of the corporate organization. This characterization is an implicit legitimatization of a direct influence of the organization over the internal workings of the organization and an inherent political nature to that influence (coercive or ideological). This might suggest that corporate executives can direct internal staff to act or to vote in a specific path that is

strongly recommended by the corporation. Further, corporate executives may be able to use external influences to issue similar recommendations outside of the organization, which is in alignment with Domhoff (2008) ideas of corporate power elite classes.

Bowman attempts to show a more comprehensive social nature of the corporate power with domination over political institutions as well as a “restructuring” of control and relationships due in part to a systematic consolidation of power in the corporate order. This restructuring of power is rooted, according to Bowman, in Progressive Era restructuring of American society that gave a social context to the corporate power. This becomes the foundation for the supra-national corporations’ impact upon global liberalism, class and corporate power (as well as for American dimensions of these) as the future of corporate capitalism.

### Breadth Discussion

Schumpeter and Weber have differing ideas about capitalism where Weber refers to a more sacred motive; Schumpeter argues about a general ethic and empirical growth statistics that show the great potential of capitalist order. While each focus upon particular aspects of capitalism, we can, in modern society, see aspects of each of these ideas. We can see that each description of capitalism requires a culture, attitude and circumstances to make capitalism effective and how capitalism is continuation of creative destruction through globalization affecting more people around the world than before.

Capitalist marketing points towards obligations to families when investing in one bank or another (Weber favored interest arrangements over Aquinas). There is rhetoric that suggests fair wages are social nets to prevent for capitalist negative reactions. Bowman showed us how and why corporate power is a political and social institution as well as an economic institution. The difficulty of defining corporation theory is due to broad implementation of corporate power as well as the various sizes of these entities. Yet, they have an influence over people and their decisions in multiple ways where they can inject viewpoints into the political dialogue either directly or via the stakeholders that comprise the corporation.

Given corporations as an element of advanced capitalism and given the ethic or restraint required for capitalism to be cohesive, government has to represent the long term interests of the public.. Even Milton Friedman (2008) suggests a need for government as an arbitrator or referee. The great expansion of corporations over the past century has built massive multi-national organizations with secular interests (rather than a Puritan interest) of gaining market share and stable capital structures. The potential effects of

these corporations are vast especially when one considers the prospect of one of the giant ones failing. If a corporation becomes “too big to fail”, do we have a de facto monopoly where the public is more interested in maintaining the simple existence of the firm rather than allowing capitalist competition to take affect due to the potential negative consequence of the firm’s collapse.

According to Schumpeter (2008), this defeats the purpose of capitalism since monopolies are not instruments for developing efficiencies and better production and will further the hostility between those who have and those who have not. Especially when that failure means a catastrophic implosion or depression for the rest of society, their rescue is essentially corporate welfare instead of the capitalistic notion of failure and destroys the value of savings that created the capitalist market thus reducing society to low-income welfare with far higher costs.

The idea that government has to rescue these giant companies is strange to socialists, Keynesians and neo-liberalism, but rather, this is a consequence of not refereeing. The socialist and Keynesian ideas as echoed by Schumpeter suggest a resource for unemployed people via some short-term social welfare because capitalism can not and will not end unemployment entirely, but they do not explicitly suggest the public support for a failing enterprise like we have seen in 2008 and 2009. In slight contrast, neo-liberalism of Friedman and Puritan ethic of Weber would never suggest such actions to be taken because the capitalist engine and business cycle is expected to correct itself.

Thus, the liberal democracy as we observe today is beholden to the capacity and a salience of giant corporations regardless of the public good or interest in maintaining

those capitalist ventures (efficient or not). If we are to be part owners of these firms, then the invisible road to socialism is being built as the public becomes partial owners in these enterprises. Yet, this “brand” of socialism as retorted in political dialogue surrounding firms like AIG, Fannie Mae and General Motors in 2008 is not what Schumpeter had in mind because we are not managing these firms in a socialist-market form like those in China or Vietnam. The question is begged of whether the direction of more advanced capitalism is towards government or public owned companies of a socialist market as Schumpeter asserts or are we headed towards corporation owned or controlled government. The case for the latter is argued in terms of globalization affects upon governments and nation state legitimacy.

### Breadth Conclusion

“Facts do not cease to exist because they are ignored.”– Aldous Huxley

Capitalism has provided the world with opportunities for growth and expansion for those who understand the meaning of production and those who maintain a particular work ethic. Schumpeter (2008) and Weber (2008) provide glorification of this process and those attitudes that support them. One may wonder whether they could have envisioned the tremendous growth of supra-national corporations and their impact upon nation-states, labor, markets, and political efficacy.

Should we manage the firms that we have now become invested in? Is the next phase of our democracy a perpetual corporation driven state or a socialist-market? What is globalization and the corporation power theory and how do they impact capitalism? If the road to socialism is being built as Schumpeter indicates, the corporation and globalization will impact that pathway or evolution. If the road is being built towards socialism, the government’s role in private enterprise changes as well as the role of the public in the self-determinism idea of firms especially with respect to the large investments that the United States and Japan have made to keep their large companies from failing.

The next parts of this discussion will examine some of the questions about corporate power elites, more questions about globalization, and questions about apparent speed capitalism that have become elements of post modern capitalism. Then, the discussion will build proposals for how one might examine these same questions in quantitative forms.

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