

# **Chapter 2**

## **Concentration of Power: Economic and Political Institutions**

### **Chapter Outline**

#### Types of Economic Systems

- Myths and Facts: About Business and Government

- Capitalism

- Socialism

- Mixed Economies

#### The Concentration of Economic and Political Power

- The Corporate Economy

- Unionization

- Big Government

#### Perspectives on the Concentration of Power

- The Functionalist Perspective

- The Conflict Perspective

- International Perspectives: Global Economic Concentration

- Is There a Power Elite in the United States?

- The Power Elite Model

- The Pluralist Model

- Assessment of the Models

- The World Economic System

- Applied Research: Corporate Concentration and Globalization of the Media

#### Problems Created by the Concentration of Power

- Effects on Competition

- Conflict Between Societal and Corporate Goals

- Threats to Democratic Institutions

- The Dwindling of Unions

- Worker Dislocation and Unemployment

- Abuse of Governmental Authority

#### Future Prospects

- Reducing Government and Deficits

- Government Reorganization

- Collective Action by Citizens

## The Globalization of Labor Rights

### Economic Reorganization

Policy Issues: What Role Should the Government Play in the Global Economy?

## **Chapter 2 At-a-Glance**

<b>Detailed Outline</b>	<b>Instructor Resources</b>	<b>Print Supplements</b>	<b>Media Supplements</b>	<b>Professor Notes</b>
Types of Economic Systems	Learning Obj.: 1 Teach. Sugg.: 3	Test Bank for Chapter 2	PPT for Chapter 2	
The Concentration of Economic and Political Power	Learning Obj.: 2	Test Bank for Chapter 2	PPT for Chapter 2	
Sociological Perspectives on the Concentration of Power	Learning Obj.: 3 Teach. Sugg.: 1, 2, 5, 8	Test Bank for Chapter 2	PPT for Chapter 2	
Problems Created by the Concentration of Power	Changes: 1, 2 Learning Obj.: 4 Teach. Sugg.: 4, 7, 9	Test Bank for Chapter 2	PPT for Chapter 2	
Future Prospects	Changes: 2 Learning Obj.: 5 Teach. Sugg.: 6	Test Bank for Chapter 2	PPT for Chapter 2	

## **Changes in the Tenth Edition**

1. In the section on collective action by citizens and the antiglobalization movement, the analysis has been expanded with further discussion of the Occupy Wall Street and Tea Party movements to bring the issues up to the present day.

## **Learning Objectives**

1. Describe and compare capitalist, socialist, and mixed economies.
2. Characterize the ways in which economic and political power have become concentrated in modern economies.
3. Summarize what the sociological perspectives say about issues of concentration of economic and political power; explain the power elite and pluralist perspectives on this and assess the evidence for each.
4. Summarize the six problems that can be created by the concentration of power in economic and political institutions.
5. Describe and evaluate the five policy directions that have been considered or implemented to deal with these issues.

## **Suggestions for Teaching and Discussion**

1. Many of the issues explored in Chapter 2 relate to the *sociology of complex organizations*. The January 1988 issue of *Teaching Sociology* (Vol. 16, No. 1) focuses on practical considerations involved with teaching this subject. Three articles in this special issue may be particularly helpful: Thomas E. Drabek's "Teaching the Sociology of Complex Organizations: Issues and Strategies" (pp. 1–7); Esther Ngan-Ling Chow and William E. Hemple's "Teaching Sociology of Complex Organizations: An Experimental Approach" (pp. 8–13); and Douglas S. Snyder's "Teaching Complex Organizations: A Twenty Year Odyssey" (pp. 14–20). Of course, much of what is contained in these articles is more relevant for advanced sociological considerations, but they offer some helpful ideas for approaching the concept of concentration of power in economic and political institutions.
2. This chapter introduces the student to the world-system theory and trends toward globalization, but the coverage of it is necessarily brief. It can be expanded with lectures that elaborate on these issues as well as explore the sociology of development and related theories such as dependency theory, focusing on how these factors contribute to the emergence, exacerbation, and solution of a variety of social problems. A model for approaching these topics as well as additional references can be found in Ali Kamali and Basil Kardaras, "Approaching the Sociology of Development," *Teaching Sociology*, 24 (January, 1996: 76–83). In addition, see Daniel Chirot, *Social Change in the Modern Era* (San Diego: Harcourt, 1986), and the various books by Immanuel Wallerstein on this topic. The implications of all of this for women are analyzed in a book edited by Kathryn Ward: *Women Workers and Global Restructuring* (Ithaca, N. Y.: ILR Press, 1990). This book has some excellent lecture material. A more experiential approach to these trends is provided by Kathleen Stanley and Dwaine Plaza in their article: "No Passport Required: An Action Learning Approach to Teaching About Globalization," *Teaching Sociology*, 30 (January 2002: 89-99). They suggest experiential learning, field trips, videos, and other techniques and

strategies to inform students about the nature and consequences of globalization.

3. Have a proponent of capitalism and a proponent of socialism come to class to debate the advantages and disadvantages of each economic system. It would be preferable if both were knowledgeable economists so that both positions will have some credibility in the students' eyes. Instructors can then direct the discussion toward social problems by showing that there are assumptions in each economic system that shape how people approach social problems. Especially in the post-Cold War world, students (and many others) may dismiss socialism as a discredited idea even though versions of it can be found functioning well in places like Sweden, Israel, and (arguably) Cuba.
4. One interesting way to teach about the concentration of power and the possibilities of social change is by encouraging students to focus on their own community in terms of what social changes would be desirable and how the students might work to implement those changes. Nancy Netting describes an interesting way to do such experiential learning in her article "Can an Individual Change Society? Empowering Students in a Context of Social Reality," *Teaching Sociology*, 22 (April 1994: 200–203).
5. It is instructive for students to see in concrete detail how the power elite controls access to elite positions. One of the best sources of such information is still G. William Domhoff's *The Higher Circles* (New York: Random House, 1970). For example, he discusses the role of the Council on Foreign Relations in this process. Instructors can invite a representative of the Council to discuss its role in the government and politics. Domhoff's more recent books, such as *The Power Elite and the State: How Policy Is Made in America* (New York: Aldine de Gruyter, 1990), provide illustrations of these processes from the Reagan–Bush years.
6. Have students select a current issue on their campus or in their community that could be impacted on by working through the government or some corporation. Then, the class should develop a plan to do the following: Who would they contact? What would they say? What strategies would they use? From this exercise, what have they learned about the distribution and exercise of power?
7. Students are interested in exploring issues of work, careers, alienation, and how all these factors play out in a globalized, corporate economy. Good sources for lecture topics on these issues are texts, such as Randy Hodson and Teresa Sullivan's *The Social Organization of Work*, 5th ed. (Belmont, Calif.: Wadsworth/Cengage Learning, 2012), and Rudi Volti's *An Introduction to the Sociology of Work and Occupations* (Thousand Oaks, Calif.: Pine Forge Press, 2008). Another good source for lecture material is a book of readings by Robert

Perrucci and Carolyn Perrucci, *The Transformation of Work in the New Economy: Sociological Readings* (Los Angeles: Roxbury, 2007). Together, these sources summarize research on alienation, stress, the union movement, attitudes toward work, and many other relevant topics.

8. Have students state what they think it means to live in a democracy. In what ways do big business and big government mean that the political and economic systems work against the achievement or full expression of democracy? Or are decisions controlled by a power elite? What can or should be done about it? Margaret A. Johnson and Gary Steward suggest an interesting class exercise through which the students can collect data and empirically analyze the characteristics of political elites in the United States. See their article: "Integrating Research Methods into Substantive Courses: A Class Project to Identify Social Backgrounds of Political Elites," *Teaching Sociology*, 25 (April 1997: 168–175). It is a good vehicle for stimulating a discussion about the power elite. A related issue is to discuss the role of the media in a democracy and how well it performs its role of informing the citizenry. Tawnya Adkins-Covert and her colleagues have conducted research suggesting that the media does not perform this role very effectively. Present to the class some data from their article: "News in my Backyard: Media and Democracy in an 'All American' City," *Sociological Quarterly*, 41 (2000: 227–244). Christopher J. Kollmeyer's research supports this idea, suggesting that the media are biased in favor of corporate and capitalist interests in terms of what news they present about the economy and how they present it. He also presents different sociological perspectives on how the news media operates in his article: "Corporate Interests: How the News Media Portray the Economy," *Social Problems*, 51 (August 2004: 432-452). These perspectives would make interesting lecture material.
9. People's psychological well-being depends on their having a job to support themselves and their families and having a sense that they control their own lives. Losing a job or feeling that one is at the mercy of corporate and government power elites can threaten all that—it can make one "feel crazy." John Mirowsky and Catherine Ross provide research documentation for this negative effect of loss of work and loss of control, and they develop a theoretical framework for understanding it. See their *Social Causes of Psychological Distress*, 2d ed (Hawthorne, N.Y.: Aldine de Gruyter, 2003), which contains some excellent material for lectures.

## Suggested Films

Black Gold (2006, 77m, California Newsreel): "Black gold" refers to coffee, one of the principal commodities in the global economy. This video is an excellent way to illustrate the nature of the global economy and international development.

Corporate Agriculture: Cultivating Trouble (2004, 46m, Films for the Humanities & Sciences): This film documents the corporate concentration of agricultural activity and shows that it benefits a relatively few global corporations while extracting tremendous costs in terms of environmental destruction and dramatic changes in social and cultural lives of communities.

The Love of Money: The Definitive Guide to the Economic Meltdown (2010, 156m, Bullfrog Films) This video is a BBC production that lays out the many factors that contributed to the Great Recession of 2008 in the U. S. and the associated global economic collapse.

Made in L.A. (2007, 70m, California Newsreel): Through the narration of the story of three Latinas working in the garment industry in Los Angeles, this video explores some of the dimensions of global immigration and the global economy.

Mickey Mouse Monopoly: Disney, Childhood & Corporate Power (2001, 52m, Media Education Foundation): This video takes a critical look at the impact corporations can have on culture, using the influence of the Walt Disney Company through its films, cartoons, and amusement parks to make its point. It shows how corporations use media to shape cultural values.

Militainment, Inc.: Militarism & Pop Culture (2007, 124m, Media Education Foundation): This video explores the possibility that pop culture (movies, videos, video games, and so on) has become an agent of socialization that teaches people that military actions and military solutions to problems are not so bad—and maybe even good things.

1-800-INDIA: Importing a White-Collar Economy (2006, 56m, Films for the Humanities & Sciences): This video explores the inexorable trend in the global economy toward outsourcing jobs from affluent nations to poor nations such as India. It is especially good at exploring the impact of this trend on the culture and lifestyle of Indians.

Plunder: The Crime of our Time (2010, 59m, Media Education Foundation): What and who caused the Great Recession of 2008? This video offers some answers and along the way provides some insight into how the modern, global, corporate economy works.

Rich Media, Poor Democracy (2003, 30m, Media Education Foundation): This video provides a good adjunct to the discussion in the text about whether increasing corporate concentration of media outlets provides people with more choice and diversity or promotes less competition and more homogeneity (it concludes the latter).

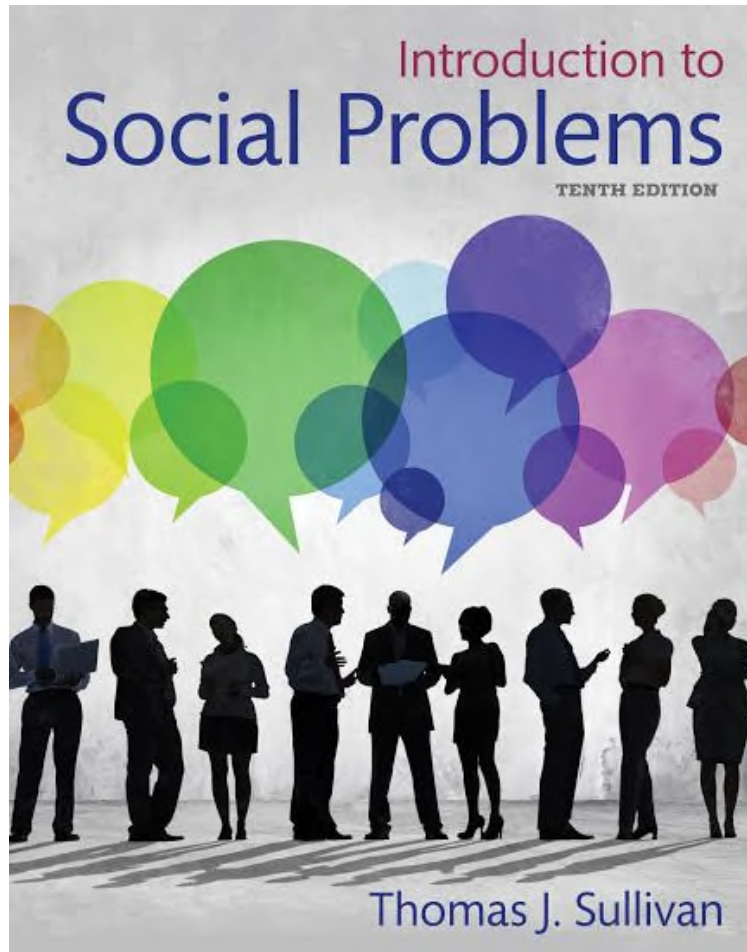
Storewars: When Wal-Mart Comes to Town (2001, 59m, Bullfrog Films): This video looks at how a behemoth retail corporation such as Wal-Mart can change a local economy and people's lives in dramatic ways. It also shows how local democracy can produce effective oppositional groups.

30 Frames a Second: The WTO in Seattle (2000, 72m, Bullfrog Films): This film shows another face of democracy in action: the passionate, angry, and sometimes chaotic street demonstrations that sometimes accompany the antiglobalization movement. It illustrates one vehicle that citizens sometimes resort to when they believe that megacorporations are not responsive to individual needs and desires.

Where Do you Stand? Stories from an American Mill (2004, 60m, California Newsreel): This film uses the experience of a long and bitter strike at a textile mill to provide a picture of the state of the labor movement in the United States in the 21st century.

# INTRODUCTION TO SOCIAL PROBLEMS, 9<sup>TH</sup> EDITION

Thomas J. Sullivan



## Chapter 2

Concentration of Power: Economic and Political Institutions



# Myths and Facts

- The economy of the U.S. represents a pure form of capitalism.
- The primary motivation of corporations is to turn a profit and to ensure corporate growth.

# Types of Economic Systems

- Capitalism
  - Capitalism refers to a system where:
    - the means of production and distribution are privately held
    - the profit motive is the primary force guiding people's economic behavior
    - and there is free competition among both producers and consumers of goods

# Types of Economic Systems

- Socialism
  - Socialism refers to economies in which:
    - the means of production and distribution are collectively held so that the goods and services that people need are provided and equitably distributed

# Types of Economic Systems

- Socialism
  - Communism refers to economies in which:
    - all goods are communally owned
    - people would not work for wages but would give according to their abilities
    - and there would be no scarcity of goods and services
    - the state would become less important and its role would dwindle

# Types of Economic Systems

- Mixed Economies
  - Mixed economies are where there is a strong element of both capitalism and socialism.
    - Most industry is privately owned and oriented toward profit making; however many important industries may be state owned.

# The Concentration of Economic and Political Power

- The Corporate Economy
  - Factors that distinguish corporations from individually owned businesses
    - Corporations have access to much broader source of capital than do individuals
    - Stockholders, who own the corporation, have only limited liability should the corporation be sued or go bankrupt
    - The ownership of corporations is separate from the control of its policies and daily affairs

# The Concentration of Economic and Political Power

- The Corporate Economy
  - Monopolies
  - Oligopolies
  - Conglomerates
  - Multinational corporations
  - Global corporations

# The Concentration of Economic and Political Power

- Unionization
  - The number and size of unions has grown over the past century, but they have declined some over the last few decades.
  - The decline in unionization is due:
    - to a decline in the number of blue-collar jobs
    - to many companies relocating to states with weak unions



# The Concentration of Economic and Political Power

- to active opposition to unionization by employers
- to unions facing increasing hostility from the public

# The Concentration of Economic and Political Power

- Big Government
  - The founding fathers of the United States intended for the federal government to be small and not extremely powerful
  - The twentieth century, however, witnessed a massive growth of government in the United States and other industrial nations

# Perspectives on the Concentration of Power

- The Functionalist Perspective
  - Big government and big business are problems because they can lead to policies and practices that are inconsistent with cultural values and political and economic reality.

# Perspectives on the Concentration of Power

- The Conflict Perspective
  - The concentration of power becomes a social problem when some influential group believes that it is not receiving its fair share of resources and strives to do something about it.

# Perspectives on the Concentration of Power

- Is There a Power Elite in the United States?
  - The Power Elite Model
    - Argues that there exists a small group of very powerful people who make just about all the important decisions in the U. S.
    - The power elite is a cohesive group, and the interests of its various members in the government, military, and corporate sectors tend to coincide

# Perspectives on the Concentration of Power

## – The Pluralist Model

- Views power as pluralistic, or spread over a large number of groups with divergent values, interests and goals
- With the vote, the public can exercise some constraint over the behavior of those in power

# Perspectives on the Concentration of Power

- The World Economic System
  - Posits that the world's nations have become increasingly interdependent and are now linked in a worldwide system where some nations have more power than others.
  - This network of nations includes core nations, peripheral nations, and semi-peripheral nations.

# Problems Created by the Concentration of Power

- The concentration of power creates many problems for society including:
  - a reduction in economic competition
  - the dominance of corporate profit-making goals over societal goals
  - threats to democratic institutions
  - the dwindling of unions
  - worker dislocation and unemployment
  - abuse of government authority



# Problems Created by the Concentration of Power

- Effects on Competition
  - When economic power becomes concentrated in an oligopolistic or monopolistic fashion, the individual consumer can become a relatively powerless force in the marketplace in comparison to corporations

# Problems Created by the Concentration of Power

- Conflict between Societal and Corporate Goals
  - Large corporations control such vast resources that their activities shape in very substantial ways the lives of average people
  - On a global scale, there is controversy over whether the policies of organizations such as the World Bank or the International Monetary Fund (IMF) benefit all, or even most, citizens of the nations in which they operate

# Problems Created by the Concentration of Power

- Threats to Democratic Institutions
  - Large corporations are sometimes wealthier than the nations in which they operate, giving the corporations enormous power from which to demand that a country adopt policies that are beneficial to the corporation
  - In the United States, corporations and wealthy individuals have played a very influential part in the political process through the funding of election campaigns

# Problems Created by the Concentration of Power

- The Dwindling of Unions
  - Many people believe it unlikely that unions will play the same role in a postindustrial society that they did during the industrial period
  - Some companies have been accused of using high unemployment rates as a tool to attack unions and diminish their strength

# Problems Created by the Concentration of Power

- Worker Dislocation and Unemployment
  - Over the past several decades, the percentage of unemployed people in the United States has fluctuated considerably
  - One reason for this persistent unemployment in the United States is the periodic recessions and depressions with which modern capitalism seems permanently afflicted

# Problems Created by the Concentration of Power

- Another reason for this persistent unemployment in the United States has been increased competition for jobs in the world economic system
- This global competition for jobs is no longer limited to manufacturing or blue-collar jobs

# Problems Created by the Concentration of Power

- Abuse of Government Authority
  - There are a number of reasons why massive government bureaucracies can create problems
    - The opportunity for the abuse of power by government officials
    - Big government is inherently detrimental to society because it funnels resources away from the private sector where they could be put to better use

# Problems Created by the Concentration of Power

- A final reason why large government can create problems involves whether individuals can play significant roles in the decisions shaping their lives



# Future Prospects

- Reducing Government and Deficits
  - Alleviating problems related to power include:
    - reducing the size of the government and budget deficits
    - reorganizing government so that abuses are less likely

# Future Prospects

- encouraging action by citizens that serve as a counterbalance to government and corporate power
- globalizing the labor force and establishing labor rights
- reorganizing the economy to reduce worker exploitation and unemployment

# Future Prospects

- Government Reorganization
  - Politicians and government officials can be made more responsive to the demands of the citizenry.
  - Government agencies and officials can be regulated much more closely than at present.
  - Government programs can be made more accountable.

# Future Prospects

- Collective Action by Citizens
  - Among the most effective citizens' groups over the years have been those originated by consumer advocate Ralph Nader and his associates
  - Concerns about environmental pollution and degradation have also spawned a great deal of collective action by the citizenry

# Future Prospects

- The Globalization of Labor Rights
  - More so than in the past, corporations roam the globe looking for cheap sources of labor
  - Some unions in the United States have provided support for unions in less-developed nations to help them organize workers and fight against low wages and poor or dangerous working conditions

# Future Prospects

- Economic Reorganization
  - Worker empowerment
    - An attempt to provide workers with management authority and responsibility and more control over the operation of corporations
  - Corporate responsibility
    - Corporations voluntarily take the needs of workers and communities into account