Control Via Concentration?: Political and Business Evidence

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This paper explores the relationship between concentration and control, in terms of both markets and hierarchies in economics and their analogues of politics and parties in politics. It is argued that the relationship is not always a positive one. In some cases the relationship is negative and in other cases there is no relationship at all. Insight into the determinants of the nature of this relationship can be gained by explaining apparent inconsistencies which appear when contrasting the economic and political spheres. For example, why is it that a market which meets the criteria for perfect competition—many small producers—is considered socially optimal but not so a polity comprised of many small parties? The two-party system, considered desirable in our national politics, corresponds to the much maligned duopoly in the economic sphere. This paper posits that there are three major types of systems found in both the economic and political spheres, which apply to both levels of aggregation—firms and markets, and parties and polities, respectively—and which have different implications for the relationship between concentration and control. It is also argued that these two levels of aggregation, however useful or necessary for purposes of discussion, are not analytically distinct.

"Control" brings up images of hierarchy in firm or bureaucracy, whereas "concentration" stirs images of markets being engrossed by rings or monopolists. Concentration of authority in a hierarchy is often viewed as one way of increasing control. Similarly, market concentration is also often thought to lead to increased control, such as that over prices. The purpose of this paper is to explore the relationship between concentration and control at two levels of analysis, in both economic and political contexts. Our problem is complicated by the fact that control applies to both units and systems. For example, one can speak of the

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amount of control in a firm as well as the proportion of control that is exercised by an individual manager, such as the chief executive officer (CEO). Similarly, the amount of control in a market can vary, as can the extent to which control is exercised by any individual firm. We will refer to various measures of control, and it should be clear from the context whether we are referring to a unit or a system.

The central idea is that control can be mounted only on the backs of ongoing social processes, that is, it must work out of the energy exerted by people keeping their own footings in their immediate social milieus. Control exists when the efforts of actors to achieve their own goals yield a self-reproducing social structure. No one stands outside of this to supply some constitution or order and to flag who are the seekers of control. Thus, there are bound to be subtleties and paradoxes, which is where we shall start.

Control is not to be achieved directly, is not a matter upon which it makes sense to focus attention; rather, control is always piggybacked onto social processes and structures which are being carried out for other reasons, reasons more substantive to the interests of those being controlled. Control is a second order phenomenon, a kind of "judo effect" which results from the context and interactions of those entities (e.g., individuals, firms, political parties) being controlled (White, 1985; Leifer and White, 1986). So there is actually no such thing as a structure developed and enforced for control, or authority or the like—even though for cultural and ideological motives there is much talk of and pointing to such putative authority structures. Such rhetoric plays an important role in obfuscating real control since it focuses the attention of those being controlled elsewhere; this is a crucial part of the indirect and sophisticated form of control we will discuss.

Consider the case of antitrust. Our economic dogma is well known. Yet we Americans also claim priority as a national democracy; perhaps

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1 For an explicit definition, we are content to quote words of Mayer Zald (1970:238) "the ability of a person or group, for whatever reason, to affect another person's or group's ability to achieve its goals (personal or collective)."

2 Much of economic theory and of democratic theory also assumes indirection, but, especially in recent writings there is an obsession with cognitive mechanisms and a technicist concern with a magical fluid called "information" which is never measured. For a representative piece see Groves and Loeb, 1979.

3 We Americans may be foolish with our unique antitrust obsessions. Indeed Leslie Hannah (1983) argues that, unlike Chandler's America (1977), Britain was so richly furnished with industrial markets that there was no occasion for the 1900's breeding of industrial mastodons which may have triggered our antitrust obsession. Haems (in Chandler and Haems, 1980) claims the other extreme for the Germans, as not having enough managerial talent to run a population even of large independent firms.