Who's Running America?
The Bush Restoration

Seventh Edition

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Elitism in a Democracy

Great power in America is concentrated in a handful of people. A few thousand individuals out of 281 million Americans decide about war and peace, wages and prices, consumption and investment, employment and production, law and justice, taxes and benefits, education and learning, health and welfare, advertising and communication, life and leisure. In all societies-primitive and advanced, totalitarian and democratic, capitalist and socialist-only a few people exercise great power. This is true whether or not such power is exercised in the name of "the people."

Who's Running America? is about those at the top of the institutional structure in America-who they are, how much power they wield, how they came to power, and what they do with it. In a modern, complex industrial society, power is concentrated in large institutions: corporations, banks, insurance companies, media empires, the White House, Congress and the Washington bureaucracy, the prestigious law firms and powerful lobbyists, the large investment houses, the foundations, the universities, and the private policy-planning organizations. The people at the top of these institutions-the presidents and principal officers and directors, the senior partners, the governing trustees, the congressional committee chairpersons, the Cabinet and senior presidential advisers, the Supreme Court justices-are the objects of our study in this book.

We want to ask: Who occupies the top positions of authority in America? How concentrated or dispersed is power in this nation? How do these institu-

tional leaders attain their positions? What are their backgrounds, attitudes, and goals? What relationships exist among these people of power? How much cohesion or competition characterizes their relationships? Do they agree or disagree on crucial issues confronting the nation? How do they go about making important decisions or undertaking new programs or policies?

THE INEVITABILITY OF ELITES

The *elite* are the few who have power in society; the *masses* are the many who do not. We shall call our national leaders "elites" because they possess formal authority over large institutions that shape the lives of all Americans.

America is by no means unique in its concentration of great power in the hands of a few. The universality of elites has been a prominent theme in the works of scholars throughout the ages. The Italian sociologist Vilfredo Pareto put it succinctly: "Every people is governed by an elite, by a chosen element of the population."[1]

Traditional social theorizing about elites views them as essential, functional components of social organization. The necessity of elites derives from the general need for *order* in society. Whenever human beings find themselves living together, they establish a set of ordered relationships so that they can know how others around them will behave. Without ordered behavior, the concept of society itself would be impossible. Among these ordered relationships is the expectation that a few people will make decisions on behalf of the group. Even in primitive societies someone has to decide when the hunt will begin, how it will proceed, and what will be done with the catch.

Nearly two centuries ago Alexander Hamilton defended the existence of the elite by writing:

All communities divide themselves into the few and the many. The first are the rich and well-born, the other the masses of people. The voice of the people has been said to be the voice of God; and however generally this maxim has been quoted and believed, it is not true in fact. The people are turbulent and changing, they seldom judge or determine right.[2]

The Italian political scientist Gaetano Mosca agreed:

In all societies-from societies that are very underdeveloped and have largely attained the dawnings of civilization, down to the most advanced and powerful societies-two classes of people appear-a class that rules and a class that is ruled. The first class, always the less numerous, performs all of the political functions, monopolizes power, and enjoys the advantages that power brings, whereas the second, the more numerous class, is directed and controlled by the first, in a manner that is now more or less legal, now more or less arbitrary and violent.[3]

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[1] Vilfredo Pareto, Mind and Society (New York: Harcourt Brace Jovanovich, 1935), p. 246.
[2] Alexander Hamilton, Records of the Federal Convention of 178'7,
[3] Gaetano Mosca, The Ruling Class (New York: McGraw-Hill, 1939), p. 50.

American social scientists have echoed the same theme. Sociologist Robert Lynd writes:

It is the necessity in each society-if it is to be a society, not a rabble-to order the relations of men and their institutional ways of achieving needed ends.... Organized power exists-always and everywhere, in societies large or small, primitive or modern-because it performs the necessary function of establishing and maintaining the version of order by which a given society in a given time and place lives. [4]

Political scientists Harold Lasswell and Daniel Lerner are even more explicit:

The discovery that in all large-scale societies the decisions at any given time are typically in the hands of a small number of people confirms a basic fact: Government is always government by the few, whether in the name of the few, the one, or the many. [5]

Elitism is *not* a result of inadequate education of the masses, or of poverty, or of capitalism, or of any special problem in society. The necessity for leadership in social organizations applies universally. Robert Michels, who as a student was active in socialist politics in Europe in the early 1900s, concluded reluctantly that elitism was *not* a product of capitalism. All large organizations-political parties, labor unions, governments-are oligarchies, even radical *socialist* parties. In Michels's words, "He who says organization says oligarchy." Michels explains his famous "iron law of oligarchy" as a characteristic *of any* social system.[6]

Thus, the elitist character of American society is not a product of political conspiracy, capitalist exploitation, or any specific malfunction of democracy. All societies are elitist. There cannot be large institutions without great power being concentrated within the hands of the few at the top of these institutions.

THE INSTITUTIONAL BASIS OF POWER

Power is not an attribute of individuals, but of social organizations. Power is the potential for control in society that accompanies certain roles in the social system. This notion reflects Max Weber's classic formulation of the definition of power:

In general, we understand by "power" the *chance* of a number of men to realize their own will in a communal act even against the resistance of others who are participating in the action. [7]

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[4] *Robert Lynd, "Power in American Society," in Problems of Power in American Society, ed. Arthur Kornhauser (Detroit: Wayne State University Press, 195'7), pp. 3-4.*

[5] *Harold Lasswell and Daniel Lerner, The Comparative Study of Elites (Stanford, Calif.: Stanford University Press, 1952), p. 7.*

[6] *Robert Michels, Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy (1915) (New York: Free Press, 1962), p. 70.*

[7] *Hans Gerth and C. Wright Mill, eds., From Max Weber (New York: Oxford Universitv Press. 1946), p. 180.*

"Chance" in this context means the opportunity or capacity for effecting one's will. Viewed in this fashion, power is not so much the *act* of control as the *potential to act*-the social *expectation* that such control is possible and legitimate-that defines power.

Power is simply the capacity or potential of persons in certain roles to make decisions that affect the conduct of others in the social system. Sociologist Robert O. Schultze puts it in these words:

> . . . a few have emphasized that *act as such* rather than the *potential to act*, is the crucial aspect of power. It seems far more sociologically sound to accept a Weberian definition which stresses the potential to act. Power may thus be conceived as an inherently group-linked property, an attribute of social statuses rather than of individual persons.... Accordingly, power will denote the *capacity* or *potential* of persons *in certain statuses* to set conditions, make decisions, and/or take actions which are determinative for the existence of others within a given social system.[8]

Thus, elites are people who occupy power roles in society. In a modern, complex society, these roles are institutionalized; the elite are the individuals who occupy positions of authority in large institutions. Authority is the expected and legitimate capacity to direct, manage, and guide programs, policies, and activities of the major institutions of society.

It is true, of course, that not all power is institutionalized. Power can be exercised in transitory and informal groups and in interpersonal interactions. Power is exercised, for example, when a mugger stops a pedestrian on the street and forces him to give up his wallet, or when a political assassin murders a President. But great power is found only in institutional roles. C. Wright Mills, a socialist critic of the structure of power in American society, observed:

> No one ... can be truly powerful unless he has access to the command of major institutions, for it is over these institutional means of power that the truly powerful are, in the first instance, powerful.[9]

Individuals do not become powerful simply because they have particular qualities, valuable skills, burning ambitions, or sparkling personalities. These assets may be helpful in gaining positions of power, but it is the position itself that gives an individual control over the activities of other individuals. This relationship between power and institutional authority in modern society is described by Mills:

> If we took the one hundred most powerful men in America, the one hundred wealthiest, and the one hundred most celebrated away from the institutional positions they now occupy, away from their resources of men and women and

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[8] *Robert O. Schultze, "The Bifurcation of Power in a Satellite City," in Community Political Systems, ed. Morris Janowitz (Glencoe: Free Press, 1961), p. 20.*
[9] *C. Wright Mills, 7hePower Elite (New York: Oxford University Press, 1956), p. 9.*

> money, away from the media of mass communication ... then they would be powerless and poor and uncelebrated. For power is not of a man. Wealth does not center in the person of the wealthy. Celebrity is not inherent in any personality. To be celebrated, to be wealthy, to have power, requires access to major institutions, for the institutional positions men occupy determine in large part their chances to have and to hold these valued experiences.[l0]

Power, then, is an attribute of roles in a social system, not an attribute of individuals. People are powerful when they occupy positions of authority and control in social organizations. Once they occupy these positions, their power is felt as a result not only in their actions but in their failures to act as well. Both have great impact on the behaviors of others. Elites "are in positions to make decisions having major consequences. Whether they do or do not make such decisions is less important than the fact that they do occupy such pivotal positions: Their failure to act, their failure to make a decision, is itself an act that is often of greater consequence than the decisions they do make."[11]

People in top institutional positions exercise power whether they act overtly to influence particular decisions or not.[l2] When the social, economic, and political values of elite groups, or, more importantly, the structures of the institutions themselves, limit the scope of decision-making to only those issues which do not threaten top elites, then power is being exercised. Political scientists Peter Bachrach and Morton S. Baratz refer to this phenomenon as "non-decision-making." A has power over B when he or she succeeds in suppressing issues that might in their resolution be detrimental to A's preferences. In short, the institutional structure of our society, and the people at the top of that structure, encourage the development of some kinds of public issues but prevent other kinds of issues from ever being considered by the American public. Such "non-decision-making" provides still another reason for studying institutional leadership.

POWER AS DECISION-MAKING: THE PLURALIST VIEW

It is our contention, then, that great power is institutionalized-that it derives from roles in social organizations and that individuals who occupy top institutional positions possess power whether they act directly to influence particular decisions or not. But these views-often labeled as "elitist"-are not universally shared among social scientists. We are aware that our institutional approach to power conflicts with the approach of many scholars who believe that power can be viewed only in a decision-making context.

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[10] *Ibid.*

[11] *Ibid., p. 4.*

[12] *Peter Bachrach and Morton S. Baratz, "Decisions and Non-Decisions," American Political Science Review, 57 (September 1963), 632-42.*

This alternative approach to power-often labeled as "pluralist" - defines power as *active participation in decision-making.* Persons are said to have power *only* when they participate directly in particular decisions. Pluralist scholars would object to our presumption that people who occupy institutional positions and who have formal authority over economic, governmental, or social affairs necessarily have power. Pluralists differentiate between the "potential" for power (which is generally associated with top institutional positions) and "actual" power (which assumes active participation in decision - making). Political scientist Robert A. Dahl writes:

> Suppose a set of individuals in a political system has the following property: there is a high probability that if they agree on a key political alternative, and if they all act in some specified way, then that alternative will be chosen. We may say of such a group that it has a high potential for control.... But a potential for control is not, except in a peculiarly Hobbesian world, equivalent to actual control. [13]

Pluralists contend that the potential for power is not power itself. Power occurs in individual interactions: "A has power over B to the extent that he can get B to do something that B would not otherwise do."[14] We should not simply assume that power attaches to high office. Top institutional office - holders may or may not exercise power-their "power" depends upon their active participation in particular decisions. They may choose not to participate in certain decisions; their influence may be limited to specific kinds of decisions; they may be constrained by formal and informal checks on their discretion; they may be forced to respond to the demands of individuals or groups within or outside the institutions they lead; they may have little real discretion in their choice among alternative courses of action.

Pluralists would argue that research into institutional leadership can describe at best only the *potential* for control that exists within American society. They would insist that research on national leadership should proceed by careful examination of a series of important national decisions-that the individuals who took an active part in these decisions be identified and a full account of their decision-making behavior be obtained. Political scientist Nelson Polsby, a former student of Robert A. Dahl at Yale, reflects the interests of pluralists in observing specific decisions:

> How can one tell, after all, whether or not an actor is powerful unless some sequence of events, competently observed, attests to his power? If these events take place, then the power of the actor is not "potential" but actual. If these events do not occur, then what grounds have we to suppose that the actor is powerful? [15]

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[13] *Robert A. Dahl, "Critique of the Ruling Elite Model," American Political Science Review, 52 (June 1958), 66 {italics mine}.*

[14] *Robert A. Dahl, "The Concept of Power," Behavioral Science, 2 (1957), 202.*

[15] *Nelson Polsby, Community Power and Political Theory (New Haven: Yale University Press, 1963), p. 60.*

And, indeed, much of the best research and writing in political science has proceeded by studying specific cases in the uses of power.

Pluralism, of course, is more than a definition of power and a method of study-it is an integrated body of theory that seeks to reaffirm the fundamental democratic character of American society. Pluralism arose in response to criticisms of the American political system to the effect that individual participation in a large, complex, bureaucratic society was increasingly difficult. Traditional notions of democracy had stressed individual participation of all citizens in the decisions that shape their own lives. But it was clear to scholars of all persuasions that relatively few individuals in America have any *direct* impact on national decision-making.

Pluralism developed as an ideology designed to reconcile the *ideals* of democracy with the *realities* of a large-scale, industrial, technocratic society. Jack L. Walker writes that the "principal aim" of the pluralists "has been to make the theory of democracy more realistic, to bring it into closer correspondence with empirical reality. They are convinced that the classical theory does not account for ‘much of the real machinery’ by which the system operates. "[16]

Pluralists recognize that an elite few, rather than the masses, rule America and that "it is difficult-nay impossible-to see how it could be otherwise in large political systems." [17] However, they reassert the essentially democratic character of America by arguing that competition between leadership groups protects the individual-that is, countervailing centers of power check each other and guard against abuse of power. Leadership groups are not closed; new groups can be formed and gain access to the political system. The existence of multiple leadership groups in society gives rise to a "polyarchy" leaders who exercise power over some kinds of decisions do not necessarily exercise power over other kinds of decisions. Finally, pluralists acknowledge that public policy may not be majority preference, but they claim it is the rough equilibrium of group influence and, therefore, a reasonable approximation of society's preferences.

IDENTIFYING POSITIONS OF POWER

We are committed in this volume to the study of institutional power. It is *not* our purpose to assert the superiority of our approach to power in America over the approaches recommended by others. We do *not* intend to debate the merits of pluralism or elitism as political philosophies. Abstract arguments over conceptualizations, definitions, and method of study already abound in

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[16] *,Jack 1.. Walker, "A Critique of the Elitist Theory of Democracy," American. Political Science Review, 60 (June 1966), 286.*

[17] *Robert A. Dahl "Power, Pluralism and Democracy, " paper delivered at the Annual Meeting of 1.11c American Political Science Association, 1966 1).3.*

the literature on power. Rather, working within an *institutional* paradigm, we intend to present systematic evidence about the concentration of resources in the nation's largest institutions, to find out who occupies top positions in these institutions, to explore interlocking and convergence among these top position-holders, to learn how they rose to their positions, to investigate the extent of their consensus or disagreement over the major issues confronting the nation, to explore the extent of competition and factionalism among various segments of the nation's institutional leadership, and to learn how institutional leadership interacts in national policy-making.

We hope to avoid elaborate theorizing about power, pluralism, and elitism. We propose to present what we believe to be interesting data on national institutional elites and to permit our readers to relate it to their own theories of power.

A great deal has been said about "the power elite," "the ruling class," "the liberal establishment," "the military-industrial complex," "the powers that be," and so on. But even though many of these notions are interesting and insightful, we never really encounter a systematic definition of precisely who these people are, how we can identify them, how they came to power, and what they do with their power.

We know that power is elusive and that elites are not easy to identify. Scholars have encountered great difficulty in finding a specific working definition of a national elite-a definition that can be used to actually identify powerful people. However, this is the necessary starting place for any serious inquiry into power in America.

Our first task, therefore, is to develop an operational *definition* of a national elite. We must formulate a definition that is consistent with our theoretical notions about the institutional basis of power and that will enable us to identify, by name and position, those individuals who possess great power in America.

Our institutional elites will be individuals who occupy *the top positions in the institutional structure of American society.* These are the individuals who possess the formal authority to formulate, direct, and manage programs, policies, and activities of the major corporate, governmental, legal, educational, civic, and cultural institutions in the nation. Our definition of a national elite, then, is consistent with the notion that great power in America resides in large institutions.

For purposes of analysis, we have divided American society into ten sectors: (1) industrial (nonfinancial) corporations, (2) banking, (3) insurance, (4) investments, (5) mass media, (6) law, (7) education, (8) foundations, (9) civic and cultural organizations, and (10) government.

In the corporate sector, our operational definition of the elite is *those individuals who occupy formal Positions of authority in institutions which control more than half of the nation's total corporate revenues.* Our procedure in identifying the largest institutions was to rank corporations by the size of their annual rev-

enues, and to cumulate these revenues, moving from the top of the rankings down, until at least 50 percent of the nation's total revenues in each sector are included (see Table 2-2). Then we identified by name the presidents, officer-directors, and directors of these corporations.

In the financial sector, we identified *those individuals who controlled the nation's largest banks, insurance companies, and Wall Street investment firms.* We ranked these institutions by the size of their assets-banking (Table 3-1), insurance (Table 3-2), and investment firms (Table 3-3)-and identified by name their presidents and directors.

We also included in our definition of the elite *those individuals who occupy formal Positions of authority in the mass media, the large prestigious New York and Washington law firms, the well-endowed private universities, the major philan* *thropic foundations, and the most influential civic and cultural organizations.* The identification of these institutions involved some subjective judgments. These judgments can be defended, but we recognize that other judgments could be made. In the *mass media,* we include ownership of five major television networks (ABC, CBS, NBC, Fox, CNN) ; the *New York Times; Time,* Inc.; *Washington Post-Newsweek;* and seven media conglomerates. Because of the great influence of the news media in America's elite structure, we have devoted a special chapter to "The Media Moguls."

Leadership in a variety of sectors is considered under the general heading of "The Civic Establishment." In *education,* we identify the forty-one colleges and universities with endowment funds totaling $1 billion or more. These universities control two thirds of all endowment funds in higher education, and they are consistently ranked among the nation's most "prestigious" colleges and universities. Our leadership group includes their presidents and trustees, excluding public universities. Our selection of foundations is based on *The Foundation Directory's* data on the nation's thirty-eight largest foundations. Each of these foundations, and their trustees/ directors, control over $1 billion in foundation assets. Identifying top positions in the *law* was an even more subjective task. Our definition of positions of authority in the law includes the senior partners of twenty-nine large and influential New York and Washington law firms. (We also identify Washington's top lobbying firms, but their owners/partners are not included in our operational definition of the nation's elite.) Top positions in *civic and cultural affairs* were identified by qualitative evaluations of the prestige and influence of various well-known organizations. The civic organizations are the Council on Foreign Relations, the Trilateral Commission, the Committee on Economic Development, the Business Roundtable, and the Brookings Institution. The cultural organizations are the Metropolitan Museum of Art, the Museum of Modern Art, the Smithsonian Institution, the Lincoln Center for the Performing Arts, and the John F Kennedy Center for the Performing Arts. The members of the governing boards of trustees or directors were included in our definition of institutional leadership.

In the governmental sectors, the operational definition of the elite is

those individuals who occupy formal positions of authority in the major institutions of the national government. Positions of authority in government were defined as the President and Vice-President; secretaries, undersecretaries, and assistant secretaries of all executive departments; senior White House presidential advisers and ambassadors-at-large; congressional committee chairpersons and ranking minority committee members in the House and Senate; House and Senate majority and minority party leaders and whips; Supreme Court justices; and members of the Federal Reserve Board and the Council of Economic Advisers. We also include both civilian offices and top military commands: secretaries, undersecretaries, and assistant secretaries of the Departments of the Army, Navy, and Air Force; all four-star generals and admirals in the Army, Navy, Air Force, and Marine Corps, including the chairman of the joint Chiefs of Staff; and the Chiefs of Staff and vice-chiefs of staff of the Army and Air Force, the chief and vice-chief of Naval Operations, and the commanding officers of the major military commands.

Any effort to operationalize a concept as broad as a national institutional elite is bound to generate discussion over the inclusion or exclusion of specific sectors, institutions, or positions. (Why law, but not medicine? Why not law firms in Chicago, Houston, or Atlanta? Why not religious institutions or labor unions? Why not governors or mayors of big cities?) There are no ex plicit guidelines to *systematic* research on national elites. Our choices involve many subjective judgments. Let us see, however, what we can learn about concentration, specialization, and interlocking using the definitions above; perhaps other researchers can improve upon our attempt to operationalize this elusive notion of a national institutional elite. In the analysis to follow, we will present findings for our aggregate elites, and for specific sectors of these elites.

DIMENSIONS OF AMERICA'S ELITE

Our definition of a national institutional elite resulted in the identification of 7,314 elite positions (Table 1-1).

These top positions, taken collectively, control over half of the nation's industrial assets; over one half of all U.S. banking assets; over three quarters of all insurance assets; and they direct Wall Street's largest investment firms. They control the television networks, the influential news leaders, and the major media conglomerates. They control nearly half of all the assets of private foundations and two thirds of all private university endowments. They direct the nation's largest and best-known New York and Washington law firms as well as the nation's major civic and cultural organizations. They occupy key federal governmental positions in the executive, legislative, and judicial branches.

These aggregate figures-roughly 7,300 positions-are themselves

TABLE 1-1

Number of Corporate Sectors	*Leadership Positions*
1. Industrial corporations (100)	2,143
2. Banks (50)	1,092
3. Insurance (50)	611
4. Investments (15)	479
Total	4,325
Public Interest Sectors	
5. Mass media (18)	220
6. Law (25)	758
7. Education (25)	892
8. Foundations (50)	402
9. Civic and cultural organizations (12)	433
Total	2,705
Governmental Sector	
10. Legislative, executive, judicial	284
Total	7,314

important indicators of the concentration of authority and control in American society. Of course, these figures are the direct product of our specific definition of top institutional positions. [18] Yet these aggregate statistics provide us with an explicit definition and quantitative estimate of the size of the national elite in America.

SOME QUESTIONS FOR RESEARCH

Our definition of America's institutional elite provides a starting place for exploring some of the central questions confronting students of power. How concentrated are institutional resources in America? How much concentration exists in industry and finance, in government, in the mass media, in education, in the law, in the foundations, and in civic and cultural affairs? Who are the people at the top of the nation's institutional structure? How did they get there? Did they inherit their positions or work their way up through the

[18] In earlier editions of this volume, using data from 1970-71, we included only 5,416 positions. In recent editions, using data from 1980-81, we added the investment firms and expanded the number of utilities, insurance companies, universities, and foundations. This produced 7,314 positions. Thus, even minor changes in the definition of an elite can produce substantial differences in the overall size of the elite.

ranks of the institutional hierarchy? What are their general attitudes, beliefs, and goals? Do elites in America generally agree about major national goals and the general directions of foreign and domestic policy, and limit their disagreements to the *means* of achieving their goals and the details of policy implementation? Or do leaders disagree over fundamental *ends* and values and the future character of American society?

Are institutional elites in America "interlocked" or "specialized"? That is, is there convergence at the "top" of the institutional structure in America, with the same group of people dominating decision-making in industry, finance, education, government, the mass media, foundations, law, investments, and civic and cultural affairs? Or is there a separate elite in each sector of society with little or no overlap in authority? Are there opportunities to rise to the top of the leadership structure for individuals from both sexes, all classes, races, religions, and ethnic groups, through multiple career paths in different sectors of society? Or are opportunities to acquire key leadership roles generally limited to white, Anglo-Saxon, Protestant, upper-class and upper-middle-class males whose careers are based primarily in industry and finance? Is the nation's institutional leadership recruited primarily from private "name" prep schools and "Ivy League" universities? Do leaders join the same clubs, intermarry, and enjoy the same life styles? Or is there diversity in educational backgrounds, social ties, club memberships, and life styles among the elite?

How much competition and conflict take place among America's institutional elite? Are there clear-cut factions within the nation's leadership struggling for preeminence and power, and if so, what are the underlying sources of this factionalism? Do different segments of the nation's institutional elite accommodate each other in a system of bargaining, negotiation, and compromising based on a widely shared consensus of values?

How do institutional elites make national policy? Are there established institutions and procedures for elite interaction, communication, and consensus-building on national policy questions? Or are such questions decided in a relatively unstructured process of competition, bargaining, and compromise among a large number of diverse individuals and interest groups? Do the "proximate policy-makers"-the President, Congress, the courts-respond to mass opinions, or do they respond primarily to initiatives originating from the elite policy-planning organizations?

The Corporate Directors

Control of economic resources provides a continuous and important base of power in any society. A great deal of power is organized into large economic institutions-corporations, banks, insurance companies, and investment firms. These economic organizations decide what will be produced, how much it will cost, how many people will be employed, and what their wages will be. They determine how goods and services will be distributed, what technology will be developed, what profits will be made and how they will be distributed, how much money will be available for capital investment, what interest rates will be charged, and many similarly important questions.

THE CONCENTRATION OF ECONOMIC POWER

Economic power in America is highly concentrated. About 5 million corporate tax returns are received by the U.S. Internal Revenue Service each year. Approximately 22,000 (0.4 percent) of these returns come from corporations that receive over $50 million in annual revenues. Yet these large corporations account for nearly 70 percent of total corporate revenues in the nation (see Table 2-1). In contrast, the nearly 4 million corporations that receive less than $1 million in annual revenues account for only about 5 percent of total corporate revenues.
America's 500 largest corporations-"the Fortune 500"-collectively

TABLE 2-1 **The Concentration of Corporate Revenues**

Size of Corporation (in millions of annual revenue)

	Under $1	*$1-5*	*$4-50*	*Over $50*	*Total*
Income Tax Returns					
Number (000)	3,791	626	92	22	4,631
Percent	81.9	13.5	4.2	0.4	100.0
Reported Revenues					
$ **millions**	783	1,326	2,551	10,220	14,890
Percent	5.2	8.9	17.2	68.6	100.0

Source: Statistical Abstract of the United States 1999, p. 546.

take in about $7.2 trillion in revenues each year, and these corporations collectively control about $18 trillion in total assets. These 500 corporations ac count for roughly 60 percent of all corporate revenues and all corporate assets in the nation.

The nation's 100 largest nonfinancial corporations are listed in Table 2-2. (The nation's largest banks, insurance companies, and investment firms are listed separately in Chapter 3, "The Money Elite.") The five largest nonfinancial corporations-Exxon Mobil, Wal- Mart, General Motors, Ford Motors, and General Electric-account for over 20 percent of the revenues of nonfinancial corporations in the United States.

America's traditional industrial giants-Exxon Mobil, General Motors, Ford Motors, General Electric, IBM, AT&T, and Philip Morris-continue to occupy dominant places in the corporate world. But in the last decade the booming retail economy has moved Wal-Mart, Kroger, Home Depot, Sears Roebuck, Kmart, Target, Albertson's, J.C. Penney, and Costco-upward in the corporate rankings. Sam Walton's Bentonville, Arkansas, Wal-Mart is now the nation's single largest corporate employer with more than one million people on its payroll. High-tech is the fastest growing sector of the American economy; but established firms like General Electric, IBM, AT&T, and Hewlett-Packard, have managed to stay ahead of newer firms like Compaq, Intel, and Dell.

Thus, there has been both stability and change at the top of the corporate world over the last century. Some of America's industrial giants-Exxon Mobil, General Motors, Ford Motors-have held top positions in the nation's economy throughout the century. In contrast, other leading corporations U.S. Steel (now USX), Bethlehem Steel, Republic Steel, Anaconda Copperhave been displaced largely as a product of global competition.

The hottest game on Wall Street throughout the 1980s and 1990s has been "M and A" .(mergers and acquisitions). Big corporations are getting even bigger by merging with or acquiring other corporations (see Table 2-3). In

TABLE 2-2 The Nation's Largest Nonfinancial Corporations

1 Exxon Mobil	51 Lockheed Martin
2 Wal-Mart	52 Honeywell
3 General Motors	53 Tosco
4 Ford Motors	54 American Express
5 General Electric	55 Sprint
6 Enron	56 Southern
7 IBM	57 Alcoa
8 AT&T	58 Dow Chemical
9 Verizon	59 Microsoft
10 Philip Morris	60 PG&E
11 SBC Communications	61 AutoNation
12 Boeing	62 Georgia-Pacific
13 Texaco	63 TXU
14 Duke Energy	64 El Paso
15 Kroger	65 Briston-Myers-Squibb
16 Hewlett-Packard	66 Phillips Petroleum
17 Chevron	67 Walgreen
18 Home Depot	68 Coca-Cola
19 Compaq Computer	69 PepsiCo
20 Lucent Technologies	70 Tech Data
21 Sears Roebuck	71 Sara Lee
22 Merck	72 SuperValue
23 Procter & Gamble	73AMR
24 Worldcom	74 Caterpillar

25 Motorola
26 McKesson
27 Kmart
28 Target
29 Albertson's
30 USX
31 Intel
32 J.C. Penney
33 Conoco
34 Costco
35 Safeway
36 Dell Computer
37 Ingram Micro
38 United Parcel Service
39 Pfizer
40 Dynegy
41 Reliant
42 DuPont
43 Delphi Automotive
44 Johnson & Johnson
45 Utilicorp
46 International Paper
47 United Technologies
48 Bellsouth
49 Walt Disney
50 Conagra
75 CVS
76 Viacom
77 UAL
78 Sysco
79 Electronic Data Systems
80 Cisco Systems
81 Xerox
82 Federated Department Stores
83 Raytheon
84 FedEx
85 Pharmacia
86 TRW
87 Johnson Controls
88 IBP
89 Minnesota Mining & Mfg.
90 Qwest Communications
91 Weyerhaeuser
92 Delta Air Lines
93 Sun Microsystems
94 Emerson Electric
95 Rite Aid
96 Valero Energy
97 Publix Supermarkets
98 Occidental Petroleum
99 May Department Stores
100 Goodyear

Source: Derived from data qrovided in Fortune. Aqril 16. 2001.

TABLE 2-3 Big Deals: Largest Corporate Mergers, Acquisitions, Ranked by Value

Rank/ Corporation	*Merger*	*Date*
1 AOL	Time Warner	2000
2 Exxon Corp.	Mobil Corp .	1998
3 Travelers Group	Citicorp	1998
4 SBC Communications Inc.	Ameritech Corp.	1998
5 Bell Atlantic Corp.	GTE Corp.	1998
6 AT&T Corp.	Tele-Communications Inc.	1999
7 Vodafone Group Plc.	AirTouch Communications	1999
8 AT&T Corp.	MediaOne Group Inc.	1999
9 NationsBank Corp .	BankAmerica Corp.	1998
10 Elf Aquitaine	Total Fina SA	1999
11 British Petroleum Co. Plc.	Amoco Corp.	1998
12 Qwest Communications Inc.	US West Inc.	1999
13 WorIdCom Inc.	MCI Communications Corp.	1998
14 Daimler-Benz-AG	Chrysler Corp.	1998

15 Viacom Inc.	CBS Corp.	1999

Source: Data from Wall *Street Journal Almanac 1999;* updated by author.

1990 the total annual value of mergers was $205 billion; by 1998 the total annual value of mergers had grown tenfold to $2,480 billion.' The merger of Exxon and Mobil in 1998 was said to partly reconstitute the nineteenthcentury Standard Oil Company monopoly of John D. Rockefeller, reversing the nation's most famous antitrust case, U. *S. vs. Standard Oil (1911).* Citicorp made itself the nation's largest banking company, renamed Citigroup, when it acquired Travelers Insurance, and Bank of America kept pace by acquiring NationsBank (see Chapter 3, "The Money Elite"). Chrysler is no longer listed among America's largest corporations because it was swallowed by Germany's Diamler Benz. The largest merger of all, America OnLine (AOL) and Time Warner, created the world's largest media empire (see Chapter 4, "The Media Moguls").

THE GLOBALIZATION OF ECONOMIC POWER

The concentration of economic power in a relatively few large institutions is not an exclusively American phenomenon. On the contrary, the trend toward corporate concentration of resources is worldwide. It is not only large American corporations which have expanded their markets throughout the world, invested in overseas plants and banks, and merged with foreign corporations. Large European and Japanese firms compete very effectively for world busi-

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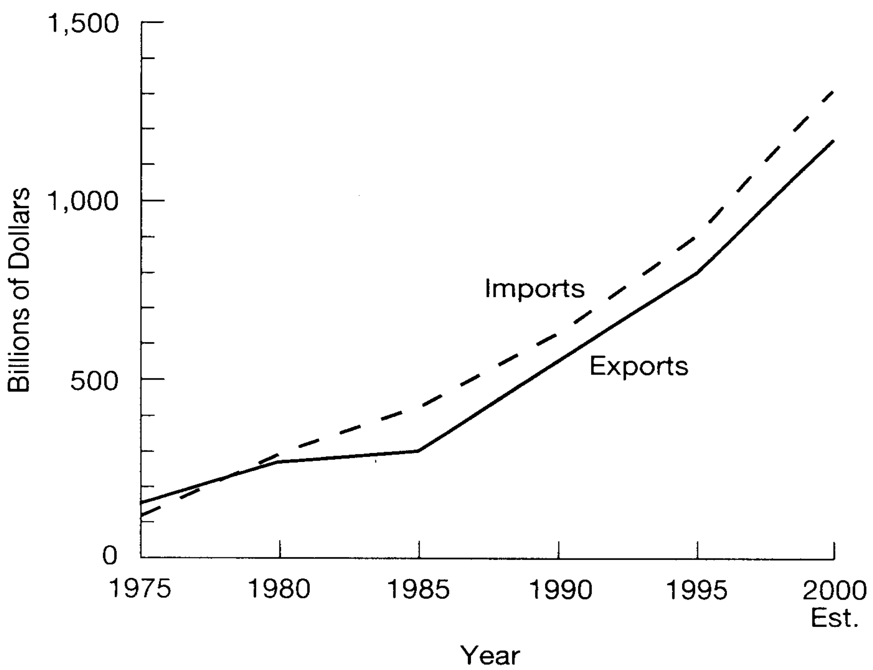
[1] *Statistical Abstract of the United States 2000, p. 563.*

THE CORPORATE DIRECTORS 17

FIGURE 2–1 The Growth of World Trade in the U.S. Economy



Source: Data from *Statistical Abstract of the United States.*

ness. Just as American companies have greatly expanded investments abroad, so too have foreign companies sharply increased their business in the United States. The result is the

emergence of truly supranational corporations, which not only trade worldwide, but also build and operate plants in many nations.
Today, almost one-quarter of the world's total economic output is sold in a country other than the one in which it was produced. The United States currently exports about 11 percent of the value of its gross domestic product (GDP) and imports about 12 percent. Exports and imports were only about 3 percent of GDP as recently as 1970 (see Figure 2-1).
The world's largest non-American industrial corporations are listed in Table 2-4. Foreign corporations sell their products in the United States (oil, automobiles, chemicals, electrical products) and also buy American corporations, which become subsidiaries of the foreign multinationals. For example, Royal Dutch Shell owns Shell Oil; British Petroleum owns . Standard Oil of Ohio; Tengelmann (Germany) owns A&P supermarkets; Nestle owns the Libby, Stouffer, and Beech-Nut corporations; Unilever owns the Lever Brothers and Lipton companies; Bayer owns Miles and Cutter Laboratories (Bayer aspirin); and so on.
In brief, the central feature of the American and world economy is the concentration of resources in relatively few large corporations. Most of this concentration occurred many years ago. "The long-established norm of market structure and behavior is that of oligopoly, that is, the constrained rivalry of

TABLE 2-4 World's Largest Non-American Corporations

Rank	*Corporation*	*Rank*	*Corporation*
1	DaimIerChrysler	16	ING Group
2	Mitsui	17	Sony
3	Mitsubishi	18	Honda Motor
4	Toyota Motor	19	Nissan Motor
5	Itochu	20	Toshiba
6	Royal Dutch Shell	21	Fiat
7	Nippon Telephone	22	Nestle
8	Marubeni	23	Fujitsu
9	AXA	24	Tokyo Electric
10	British Petroleum	25	Total Fina Elf
11	Volkswagen	26	NEC
12	Siemens	27	Vivendi
13	Hitachi	28	Unilever
14	Matsushita Electric	29	Fortis
15	Nissho Iwai	30	Sinopec

Source: Data derived from *Fortune* "Global 500 List" at www.fortune.com.

a few interdependent sellers who compete mainly by means of product differentiation."[2] In recent years, concentration has continued to increase, although at a slower rate than early in the twentieth century. It is clear that society is not going to return to a small, romanticized, perhaps mythical, world of individual enterprise.

INSTITUTIONALIZING THE GLOBAL ECONOMY

Historically, America's corporate and financial elite supported high tariffs in order to protect its domestic marketplace. Tariffs on foreign imports forced up their prices and gave U.S. firms sheltered markets. Not only did this improve the profit margins of U.S. corporations, but also it allowed them to operate less efficiently: management became top heavy; its products, especially automobiles, were frequently poor in quality; and the workforce was larger and wages for workers were higher than they otherwise would be if U.S. firms had to face foreign competition.

But America's corporate and financial elites gradually came to see the economic advantages of expanding world trade. U.S. firms that dominated the domestic market in the 1950s and 1960s (steel, automobiles, aircraft, computers, drugs, electronics, agriculture, and so on) began to look abroad to

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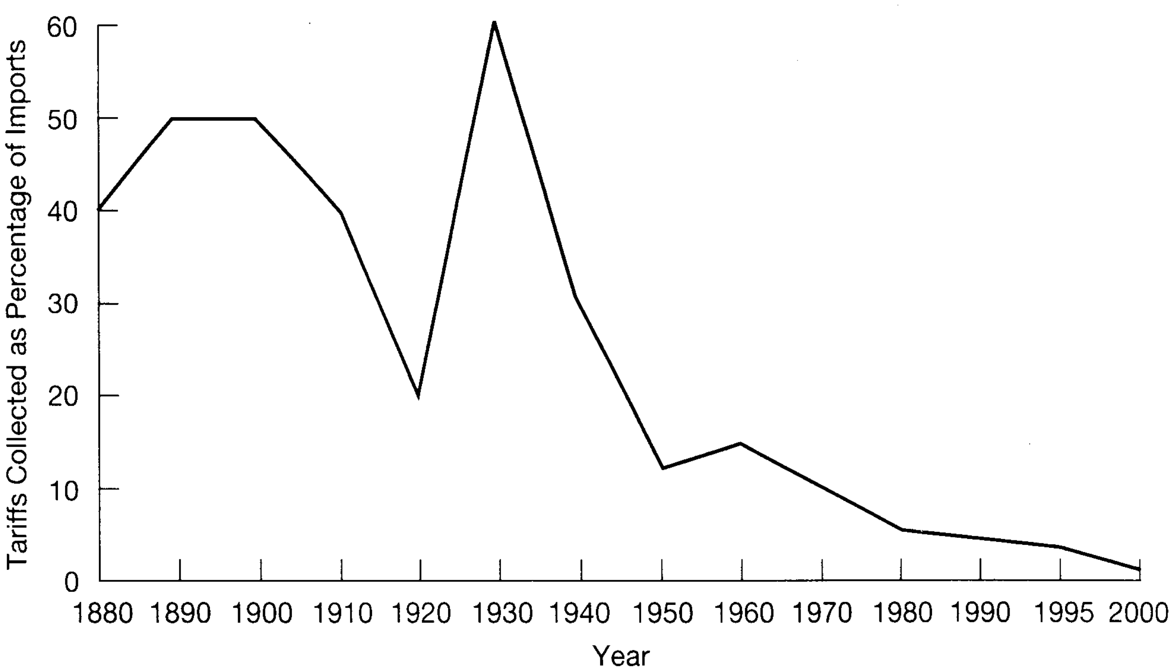
[2] *Edward S. Herman, Corporate Control, Corporate Power (Cambridge, Mass.: Cambridge University Press, 1981), p. 1.*

FIGURE 2–2 U.S. Tariff Rates



Source: Data from *Statistical Abstract of the United States.*

expand their own sales. American corporations became multinational corporations. They began by expanding their sales and distribution staffs worldwide, and then later began to shift manufacturing itself to low-wage, low-cost countries.

Globalization of economic power required reductions in tariffs and trade barriers around the world. America's corporate and financial elites began to lobby Congress for reductions in U.S. tariffs. The result was a rapid decline in average U.S. tariff rates (see Figure 2-2). In effect, the United States became an open market.

International economic agreements and organizations were arranged in order to facilitate the new global economy. Leadership in global economic policy was provided by the Council on Foreign Relations (CFR) and its multinational arm, the Trilateral Commission (see Chapter 6). The Trilateral Commission was created by Boar ariman David Rockefeller in 1972 to bring together a small group of top economic elites from the United States. western Europe, and Japan.

In addition to initiating annual economic summits of the presidents and prime ministers of the wealthy, industrialized nations, this new global elite put in place a series of policy decisions designed to advance international trade, including the General Agreement on Tariffs and Trade (GATT), the World Trade Organization WTO the World Bank and International Monetary Fund (IMF) and the North American Free Trade Agreement (NAFTA) (see Table 2-5) .

Table 2-5

Institutionalizing the Global Economy

The World Trade Organization and GATT The World Trade Organization was created in 1993. Today the WTO includes 130 nations that agree to a governing set of global trade rules. (China and Russia have applied to join.) The WTO is given power to adjudicate trade disputes among countries and monitor and enforce trade agreements, including GATT. GATT, the multinational General Agreement on Tariffs and Trade, was created following World War II for the purpose of encouraging international trade. Over the years GATT has been dominated by banking, business, and commercial interests in Western nations seeking multilateral tariff reductions and the relaxation of quotas. In 1993 the GATT "Uruguay Round" eliminated quotas on textile products; established more uniform standards for proof of dumping; set rules for the protection of intellectual property rights (patents and copyrights on books, movies, videos, and so on); reduced tariffs on wood, paper, and some other raw materials; and scheduled a gradual reduction of government subsidies for agricultural products.

The International Monetary Fund and the World Bank. The IMF's purpose is to facilitate international trade, allowing nations to borrow to stabilize their balance of trade payments. When economically weak nations, however, incur chronic balance of trade deficits and perhaps face deferral or default on international debts, the IMF may condition its loans on changes in a nation's economic policies. It may require a reduction in a nation's government deficits by reduced public spending and/or higher taxes; or it may require a devaluation of its currency, making its exports cheaper and imports more expensive. It may also require the adoption of noninflationary monetary policies. Currently, the IMF as well as the World Bank are actively involved in assisting Russia and other states of the former Soviet Union to convert to free market economies.

The World Bank makes long-term loans, mostly to developing nations, to assist in economic development. It works closely with the IMF in investigating the economic conditions of nations applying for loans and generally imposes IMF requirements on these nations as conditions for loans.

NAFTA. In 1993 the United States, Canada, and Mexico signed the North American Free Trade Agreement. Objections by labor unions in the United States (and independent presidential candidate Ross Perot) were drowned out in a torrent of support by the American corporate community, Democrats and Republicans in Congress, President Bill Clinton, and former President George Bush. NAFTA envisions the removal of tariffs on virtually all products by all three nations over a period of ten to fifteen years. It also allows banking, insurance, and other financial services to cross these borders.

FTAA. Heading the current agenda for institutionalizing global trade is the "Free Trade Area of the Americas:" The objective is the negotiation of a tariff-free, rules-based, free trade Western Hemisphere to include thirty-three nations. A meeting of western hemispheric nations in Quebec City in 2001 set a goal for such an agreement for 2005. Recent U.S. presidents, both Democratic and Republican, have pressed Congress for "fast track authority" for trade agreements, essentially requesting that Congress pass presidentially negotiated trade agreements without amendments. So far, Congress has refused to do so.

WHO CONTROLS CORPORATE AMERICA?

In the formal legal sense, the board of directors "controls" the modern corporation. The typical corporate boardroom consists of about 15 peole - presidents, officer-directors, and directors. Collectively the nation's top 100 corporations are formally governed by about 2.500 people - or about one one-thousandths of one percent of the U.S. population. These 2,500 top executives and directors of nonfinancial corporations comprise the first segment of our definition of the nation's elite. "Inside" directors-those who are also top management officers in the corporation-usually dominate board decision-making. Inside directors usually include the chairman, CEO, or president and the top senior vice-presidents. About 40 percent of corporate directors are inside directors. Outside directors-persons who serve on the board but who take no direct part in managing the corporation-usually defer to the judgment of the inside officer-directors. About 60 percent of all directors are "outside" directors. Outside directors are chosen to serve on the board by the inside directors, usually the chairman and chief executive officer (CEO), who also decide on their pay and perks. Most outside directors are themselves current or retired chief executives of other large corporations; their loyalties tend to be with their fellow CEOs running the corporation. Sometimes part of the price of a large loan from a major bank or insurance company to an industrial corporation will include a seat on the board of directors of that corporation. Outside directors representing financial interests do not usually take a direct role in decision-making; they perform a general watch-dog role over their investment. However, all directors have a legal responsibility to the owners (stockholders) of the corporation to protect their investment. All directors are formally elected by the stockholders, who cast their votes on the basis of one share equals one vote.

The millions of middle-class Americans who own corporate stock have virtually no influence over the decisions of directors. When confronted with mismanagement, these stockholders simply sell their stock, rather than try to challenge the powers of the directors. Indeed, most stockholders sign over "proxies" to top management so that top management may cast these proxy votes at the annual meetings of stockholders. Management itself usuallv selects its own "slate" for the board of directors and easily elects them with the help of proxies.

A few outside directors of large corporations represent public relations efforts by top management to improve the image of the corporation. For example, corporations frequently select college presidents, prominent women, and minorities for their boards. It may be true that these corporations really want the counsel of these people; however, one suspects that they also want to promote an image of social responsibility. It is doubtful that these particular people are influential in corporate decision-making.

The globalization of the economy has inspired some American corporations to add top foreign corporate executives to their boards.

Finally, there are the corporate directors-whether inside officers or outsiders-who represent family owners. Family ownership and domination of large corporations has not yet disappeared in America despite marked decline in family control of corporations over the last several decades.

Thus, corporate board members can be divided into types. The following percentage approximations of various types of corporate directors are estimated for the 2,000 members of the 100 largest industrial corporations:[3]

Insiders	
Manager-directors	44%
Outsiders	
Former managers	6
Financial representatives	8
Ownership representatives	13
Substantial business with corporation	11
Charitable, civic, or educational representatives	5
Other	13
Outsider total	56%

Managers usually triumph in the boardroom. The inside directors, although only a minority of most boards, usually vote as a solid, unified block under the direction of the president. Their block voting strength on the board is augmented by their greater depth of knowledge of the organization, its technology, and its business problems. Insiders work full time on corporate affairs, continuously communicating with each other. Outsiders have no such information or communication base.

Outside directors, with some exceptions, are "invited" to serve on boards by the managers. They are "guests" in the boardroom. They usually have a sense of loyalty to the president who put them on the board. They are passive on most management decisions. "No one likes to be the skunk at the garden party"[4] They may advise on special areas of competence; they may help coordinate decision-making with major suppliers or buyers; and by their presence on the board they may help assure the outside world that the organization is in good hands. The only important exceptions to these usually passive outside managers are those who still represent large stockholder interests.

A brief glimpse inside the boardrooms of IBM and AT&T (see Table 2-6) gives some indication of the principal ties of a large corporation. We have classified these directors as inside and outside, and we have classified

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[3] *Estimates from materials presented in Edward S. Herman, Corporate Control, Corporate Power, Chap. 2.*

[4] *Business Week, September 8, 1986, p. 60.*

TABLE 2-6 Inside the Board Room

At IBM

Inside	*Outside Corporate*
Louis V Gerstner Jr. Chairman and CEO	Cathleen Black President, Hearst Co.
Douglas T Elix Senior Vice-President	Kenneth I. Chenault President, American Express
Samuel J. Palmisano Senior Vice-President	Juegan Dorman Chairman, Aventis S.A.
J. Thomas Bouchard Senior Vice-President	Minoru Makihara Chairman, Mitsubishi
William A. Etherington Senior Vice-President	Lucio A. Noto Vice Chairman, Exon Mobil
David M. Thomas Senior Vice-President	Alex Trotman Chairman (ret.), Ford Motor
John M. Thompson Senior Vice-President	Ludewijk VanWachem Chairman, Royal Dutch Petroleum
Nicholas M. Donofrio Senior Vice-President	Charles V. Knight Chairman, Emerson Electric
Outside Public Interest	
Nannerl O. Keohane President, Duke University	
John B. Slaughter President Emeritus, Occidental College	
Charles M. West President, M.I.T.	

At AT&T

Inside	*Outside Corporate*
C. Michael Armstrong Chairman of the Board and CEO	Kenneth T. Derr Chairman, Chevron
Amos B. Hostetter Chairman, AT&T Internet	George M. C. Fisher Chairman, Eastman Kodak
John D. Zeglis Chairman AT&T Wireless	Donald V. Fites Chairman, Caterpillar
	Ralph S. Larsen Chairman, Johnson & Johnson
Outside Public Interest	John C. Malone Chairman, Liberty Media
M. Kathryn Eichoff Economics consultant	Lewis A. Simpson Chairman, GEICO Insurance
Donald F. McHenry Former U.S. Ambassador to the U.N.	Sanford I. Weill Chairman, Citigroup
Michael I. Sovern President Emeritus, Columbia University	

outsiders as those who represent ties to other corporations and banks and those who we believe were appointed to their posts as representatives of the "public interest."

THE MANAGERS: CLIMBING THE CORPORATE LADDER

The top echelons of American corporate life are occupied primarily by people who have climbed the corporate ladder from relatively obscure and powerless bottom rungs. It is our rough estimate that less than 10 percent of the presidents and directors of the top 100 corporations are heirs of wealthy families. The rest-the "managers"-owe their rise to power not to family connections, but to their own success in organizational life. Of course, these managers are overwhelmingly upper middle class and upper class in social origin, and most attended Ivy League colleges and universities. (The social origin and background of top elites are discussed in Chapter 6.) The rise of the manager is a recent phenomenon. As recently as 1950, we estimate that 30 percent of the top corporate elite were heirs of wealthy families. (Indeed, even since 1980, Henry Ford II stepped down as chairman of Ford Motors. and David Rockefeller retired as chairman of Chase Manhattan.) How can we explain the rise to power of the corporate manager?

Today the requirements of technology and planning have greatly increased the need in industry for specialized talent and skill in organization. Capital is something that a corporation can now supply to itself. Thus, there has been a shift in power in the American economy from capital to organized intelligence. This is reflected in the decline of individual- and family-controlled large corporations and in an increase in the percentage of large corporations controlled by management.

Following the Industrial Revolution in America in the late nineteenth century and well into the twentieth century, the nation's largest corporations were controlled by the tycoons who created them-Andrew Garnegie (Carnegie Steel, later United States Steel, and today USX); Andrew Mellon (Alcoa and Mellon banks); Henry Ford (Ford Motors); J.P. Morgan (J.P. Morgan); and, of course, John D. Rockefeller (Standard Oil Company, later broken into Exxon, Mobil, Chevron, Atlantic Richfield, and other large oil companies). But by the 1930s control of most large corporations had passed to professional managers. As early as 1932, Adolf Berle and Gardiner Means, in their classic book *The Modern Corporation and Private Property,* described the separation of ownership from control. The theory of "managerialism" became the conventional wisdom about corporate governance. [5]

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[5] *However, for some Marxists and others on the left, managerialism was denied, because it complicated the theory of class struggle in a capitalist society. They argued that great families retained "latent" power-power to be exercised when something goes seriously wrong. Some Marxists, however, accepted the managerial thesis and simply focused on managers as "the leading echelon of the capitalist class." See Paul A. Baran and Paul M. Sweezy, Monopoly Capital (Newark: Monthly Review Press, 1966).*

It was recognized early on that corporate managers might run their firms in ways that serve their own best interests rather than those of the owners; for example, paying themselves multimillion-dollar annual salaries and providing themselves with lavish corporate-paid lifestyles. But for decades, individual and institutional stockholders largely ignored this potential principal-agent problem. Stockholders' power was fragmented and dispersed; there was not much they could do, other than sell their stock, even if they knew that managers were taking personal advantage of their position. But perhaps a more important reason that managers were largely unchallenged was that the American economy prospered from the 1940s through the 1970s. Governance of the U.S. corporation seemed to be working well, rewarding both managers and owners.
Liberal economist John Kenneth Galbraith once summarized the triumph of managerialism:

> Seventy years ago the corporation was the instrument of its owners and a projection of their personalities. The names of these principals-Carnegie, Rockefeller, Harriman, Mellon, Guggenheim, Ford-were well known across the land. They are still known, but for the art galleries and philanthropic foundations they established and their descendants who are in politics. The men who head the great corporations are unknown. Not for a generation did people outside Detroit in the automobile industry know the name of the current head of General Motors. In the manner of all men, he must produce identification when paying by check. So with Ford, Standard Oil, and General Dynamics. The men who now run the large corporations own no appreciable share of the enterprise. They are selected not bv the stockholders but, in the common case, by a board of directors which narcissistically they selected themselves.[6]

How does one climb the corporate ladder? It is not easy, and most who begin the climb fall by the wayside at some point in their careers.

> Just to be in the running, a career riser must discipline himself carefully. He must become a seasoned decision-maker. He must cultivate an aura of success and sustain his upward momentum on the executive ladder. He must be loyal to a fault, tolerably bright, fairly creative, politically agile, always tough, sometimes flexible, unfailingly sociable and, in the minds of his company's directors, seem superior to a dozen men who are almost as good. He must also be lucky.[7]

Today, more than ever before, getting to the top requires the skills of a "technocrat"-knowledge of bureaucratic organization, technical skills and information, extensive formal education (including postgraduate degrees), and proven ability to work within legal constraints and governmental regulations. Very few sons and no daughters are taking over the presidencies of large corporations owned bv their families. Fewer than 10 of the nation's 500 largest

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[6] *John Kemeth Galbraih, The New Industrial State (Boston Houghton Mifflin. 1967). p.323*

[7] *IIoward Morgans, former president of Procter & Gamble, as quoted in "Proud to Be an Organisation Man". Fobes, May 15, 1972, p. 241.*

corporations are headed by men whose families had pteviomsly run the corporation.[8] Top corporate management is drawn from the ranks of upper - middle-class, well-educated, white, male management, financial, and legal experts.

Perhaps the most significant change over the years has been the rising number of top corporate and governmental executives who have acquired graduate degrees. Today over half of the corporate presidents of the 500 largest corporations have advanced degrees, including M.B.A.s (masters of business administration), law degrees, and Ph.D.s. (See Chapter 7.)

An increasing number of top corporate leaders are coming out of finance and law, as opposed to production, operations, advertising, sales, engineering, or research. Lawyers and accountants now head two out of every five large corporations. This is further evidence that finance, taxation, and governmental regulation are the chief problems confronting large corporations. The problems of production, sales, engineering, and transportation have faded in relation to the pressing problems of money and power.

Getting to the top by climbing the ladder of the giant corporation is not only difficult, it is also risky. The chances of any one individual making it to the top are infinitesimal.

> Yet hundreds of thousands of executives willingly devote entire careers to working their way up through these giant corporations. On the lower rungs of the ladder, when they are in their 20s, all of them dream of reaching the top. As they advance into their 30s, and receive more responsibility and more money, the dream flowers brightly. Some time in their 40s and 50s, however, most realize they aren't going to make it. They are sorely disappointed, but it's too late to change. Comfortable and secure, they stay. Then each year there are perhaps a dozen or so-the lucky men who go all the way.[9]

THE INHERITORS: STARTING AT THE TOP

Unquestionably, the Rockefellers, Fords, du Ponts, Mellons, and other families still exercise considerable influence over America's economic resources. However, research on family holdings in large corporations is not easy. Table 2-7 lists major family holdings of large corporations as revealed in a variety of sources. But it is not possible to tell from such a list whether a family really "controls" the operations of a corporation, or whether control has been passed on to the managers. It is possible for families who no longer hold active management positions in a corporation to exercise "latent" powerthat is, to use their control blocs of stock as a restraint on management. Sometimes families interfere only when something goes seriously wrong.

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[8] *Charles G. Burch, "A Group Profile of the Fortune 500 Chief Executives," Fortune, May 1976, p. 174. See also Business Week, October 23, 1987, p. 37.*

[9] *"Proud to Be an Organization Man," p. 244.*

TABLE 2-7 Historic Family Ties to Corporations

Corporation	*Family*
DuPont	du Pont
Ford Motor Co.	Ford
Alcoa	Mellon
Wal-Mart	Walton
Exxon	Rockefeller
Mobil	Rockefeller
Sears, Roebuck & Co.	Rosenwald
IBM	Watson, Fairchild
Dow Chemical Co.	Dow
Corning Glass Works	Houghton
International Paper Co.	Phipps
W.R. Grace & Co.	Grace, Phipps
Weyerhaeuser	Weyerhaeuser
Winn-Dixie, Inc.	Davis
Campbell Soup Company	Dorrance
H.J. Heinz Co.	Heinz
Firestone Tire & Rubber	Firestone
Olin Chemical	Olin
Ralston Purina Co.	Danforth
Hilton Hotels	Hilton
Howard Johnson Co.	Johnson
Great Atlantic & Pacific Tea Co. (A&P)	Hartford
Woolco	Woolworth
McDonnell Douglas Aircraft	McDonnell
International Harvester	McCormick
Coca-Cola	Woodruff
Eli Lilly & Co.	Lilly
Duke Power Co.	Duke
Rockwell Mfg. Co.	Rockwell
Gerber Products Co.	Gerber
Deere & Company	Deere
Borden Co.	Borden

The Ford Family. Until 1980, Henry Ford II, grandson of the Ford Motor Company founder, served as chairman of the board. "The first thing you have to understand about the company is that Henry Ford is the boss.... He is the boss, he always was the boss since the first day I came in and he always will be the boss." These are the words of Arjay Miller, who spent twenty-three years climbing the rungs of Ford management to become president of the company, only to find that Henry Ford II actually ran things. Miller eventuallv resigned to become dean of the Graduate School of Business at Stanford University.[10]

[10] *Quoted in Victor Lasky. Never Complain, Never Explain (New York: Richard Marek. 1981), p.86.*