Organizing America
Wealth, Power, and the Origins of Corporate Capitalism
By Charles Perrow

Are large-scale, bureaucratic institutions necessary mainstays of modern societies? Their inevitability has been questioned in recent decades by various challengers of conventional wisdom—among them, New Left critics of the so-called liberal corporate state, students of technological innovation, productivity and mass production systems, and environmentalists—who point to particular circumstances behind the rise of hierarchical organizations and to the past existence and future potential of alternative structures. Charles Perrow, a leading organizational theorist, now enters the discussion, looking specifically at the corporation (he promises a sequel that will treat government and non-profit institutions).

Drawing heavily on the recent writings of labor and business historians, historical and economic sociologists, political scientists, and legal scholars, Perrow reviews and rejects current theoretical positions on the ascendancy and hegemony of the corporation: technological determinism, economies of scale and scope or efficiency arguments (Alfred D. Chandler is a special target), the role of state actors, and “neo-institutional” or cultural approaches. Unfamiliar readers may become addled in the thicket of perspectives, but patience will be rewarded; Perrow furnishes a scorecard of players in an appendix for assistance.

Rebounding off other scholars, Perrow spins his own interpretation, which he dubs “organizational” or “society of organizations.” His argument, it should be noted, is distinct from the Weberian view of modernity as an ineluctable march toward greater degrees of rationalization and organization. Rather, he posits organizations, once set in place, as active agents in the process of perpetuating themselves and shaping society to their own advantage. More specifically, he sees corporations in the United States contingently gaining power in the first half of the nineteenth century through judicial decisions and statutes that afforded shareholders limited liability and provided corporate entities with protective freedoms from government restriction (fears of a strong state also abetted their emerging dominance in contrast to developments in Europe). Once established, corporate leaders used every means (including corrupt ones) to further their existence and fixity; as a larger segment of the population became wage earners, and as a larger number of those earners found work within seemingly impersonal bureaucracies, alternative
forms of economic organization lost credence.

Perrow engages in two historical exercises to make his “path dependent” case. First, he uses recent scholarship on the American textile industry to draw the now familiar contrast between the large-scale, corporately owned, and automated textile mills of Lowell, Massachusetts, and the flexible, specialty proprietorships of Philadelphia. The fortunes of the former rested on hierarchical organization and market control, those of the latter on “networks” of expertise and activity. Because both modes of production proved successful, this example serves Perrow in indicating alternatives to corporate dominance, but his discussion does not address or substantiate his claim for organizational agency. That issue he reserves for his second exercise: an analysis of American railroad corporations.

For Perrow, the emergence of a national railroad system ruled by a handful of carriers was not inevitable. State-government-run railroads succeeded before the Civil War; some carriers operated in non-bureaucratic ways through contracting systems (Perrow relies here on the research of this reviewer, it should be noted); and regional systems of cooperating rail lines could have been developed. A few mammoth, hierarchical organizations achieved control of railroad transport, in his estimation, through a weak state presence, by financial chicanery, through the bribing of public officials, and by the relatively unrestricted capacities of finance capital to consolidate holdings—might makes history.

Perrow’s deliberately provocative book rushes through many points and can be challenged. The author elevates corporate agency, yet very few actors actually appear. Similarly, Perrow insists that the corporation be treated as an “independent variable,” but its effect on social relations and culture is missing. The role of impersonal market and demographic forces in the rise of big business is ignored as well. Finally, Perrow’s corporations are static entities, not shaped by internal tensions and dynamics. Still, the book deserves a large readership; a great deal can be learned by watching Perrow wrestle profoundly with both theory and history.

WALTER LICHT is professor of history at the University of Pennsylvania and co-author (with Thomas Dublin) of The Face of Decline: The Pennsylvania Anthracite Region in the Twentieth Century (2005).