Economists are trained to think of life as a continuous series of tradeoffs. Economic efficiency and shareholder value are praiseworthy things in severalty. But elevating these aims above all others may entail tradeoffs that the majority of citizens would not willingly accept. To be sure, people want a reliable supply of goods and services at low prices. But they also value environmental cleanliness, workplace safety, job security, a favorable climate for small business, and a reasonably equitable distribution of economic and political power.

The modern corporation, judged by its efficacy as a coordinating device for human and other resources, as an agent of technological innovation, and as a mainspring for production and distribution of goods and services, is, by any reasonable standard, a superior type of economic organization. The primacy of the corporation is explained in no small measure by advantages inhering in large-scale procurement, manufacturing, marketing, and distribution. Immense scale, as measured by annual sales, assets controlled, total employment, or the geographic scope of operations, is a defining characteristic of successful corporations.

But great size gives rise to economic and, ultimately, political power. Campaign finance reform may have some effect in restraining the influence of big business. But the political power of corporations goes beyond deep pockets. For example, it is one thing if a businessman decides to shut down his small machine shop and lay off eight employees. It is quite another if Motorola officials decide to relocate a facility employing 3,000 workers to Mexico. Politicians stand to attention when facing the potential loss of thousands of high paying jobs in their states or legislative districts.

You expect to hear things like “the government of the United States at present is a foster-child of the special interests” coming from politicians this election year. But it might surprise you a little to discover that Woodrow Wilson made this statement during the 1912 presidential campaign. Today some view politicians as little more than glorified water carriers for the business elite. Truth of the matter is the political system has never been a “level playing field.” However, competitive balance in the political arena became ever more skewed when the corporate entity emerged after 1870 as a dominant institution in American life. The rise of big business in the late 19th century spawned populist movements that culminated in the Granger laws (regulation of rail transportation and grain storage rates by state commissions) and the Sherman Antitrust Act (which made price fixing and monopolization illegal).

What did Congress mean to accomplish by the antitrust laws? This question has been hotly debated for decades. Some economists and legal scholars claim that the courts have
consistently botched things on antitrust, veering away from what they perceive to have been the intent of Congress in drafting the statutes—specifically, the promotion of maximum economic efficiency and consumer welfare. They reject the notion that there is an implicit acknowledgement in the antitrust statutes that society faces a tradeoff between efficiency, the diffusion of power, or other considerations. According to this view, antitrust is a technical matter for Ph.D.'s and jurists with formal training in economic theory. The narrow, economic reading of antitrust reigns supreme today--most significantly in a federal judiciary numerically dominated by Reagan and Bush-paterfamilias appointees.

An alternative reading of the Sherman Act makes it a political, not economic, charter—that is, a step toward bringing the power of big business under social control. The Granger laws and antitrust are seen as a protective response to the threat posed by corporations to farmers and small, owner-operated businesses. This latter view was succinctly expressed by Supreme Court Justice Earl Warren in the Brown Shoe decision: “[W]e cannot fail to recognize Congress’ desire to promote competition through the protection of viable, small, locally owned businesses. Congress appreciated that occasional higher costs and prices might result from the maintenance of fragmented industries and markets. It resolved these competing considerations in favor of decentralization.” Some scholars aligned with the views of Warren nevertheless believe that the antitrust laws have been an abject failure in preventing the arrogation of power by industrial and financial oligarchs.

Recent scandals have drawn public attention to the legitimacy of corporate power. The case of Enron is noteworthy for many things, not the least of which is that it demonstrates how a relatively small number of powerful, well-connected individuals can reshape regulatory policy in a number of states (including California) to serve a narrow, vested interest. Citizens feeling resigned at the current state of politics in America need remember that corporations do not have intrinsic rights. Institutional adjustments that reign in corporations are possible within the parameters of the U.S. Constitution. But like everything in life, meaningful change will mean tradeoffs—such as reduced corporate “flexibility” or diminished rights for shareholders.