

THE END  
OF LIBERALISM

*Ideology, Policy, and the Crisis  
of Public Authority*

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## CHAPTER 2

# PLURALISM AND THE TRANSFORMATION OF CAPITALIST IDEOLOGY

Administration presents two basic dilemmas to capitalist theory. First, the predominance of administration proves that conscious control rather than mechanistic, automatic, self-control is the predominant fact about modern conduct. Second, it proves that even the remaining self-regulating mechanisms, still a substantial factor, have shifted in very large part from market competition to group competition—from self-regulation through economics to self-regulation through politics. These two factors became a sort of one-two punch. The first led finally to an acceptance of *statism*; i.e., the overwhelming proportion of leaders embraced positive government. With its rise began a long dialogue with *laissez faire* over the value of public control that led to the reclassification of *laissez faire* as a conservative doctrine. The second led to *pluralism*, the intellectual core of the new liberalism which would eventually replace capitalism as the public philosophy by a process of absorption. The new public philosophy, interest-group liberalism, is the amalgam of capitalism, statism, and pluralism. The amalgam is evaluated in Chapter 3 and beyond. Here it is necessary to see how the parts could possibly fit together.

#### THE ADMINISTRATIVE COMPONENT AND THE INEVITABILITY OF GOVERNMENT

Administration is a process of self-conscious, formal adaptation of means to ends. Administered social relations are all those self-conscious and formal efforts to achieve a social end, whether expressed as a general condition like predictable conduct, legality, productivity, public order, or as a more concrete organizational goal. Many traditional social patterns continue to fulfill vital control functions in society. Economic and political competition are also vital controls. But the modern overlay upon all this is not so automatic. It is administration.

Many influential observers maintain that technology is the key to what is modern in the revolutionary Western civilization.<sup>1</sup> But this seems to beg the question, which is how and with what result men come to live peacefully and productively with each other in the presence of this technical complexity and scale and yet in the absence of complete familiarity. Karl Polanyi provided an appropriate riposte:

Social not technical invention was the intellectual mainspring of the Industrial Revolution. . . . The triumphs of natural science had been theoretical in the true sense, and could not compare in practical importance with those of the social sciences of the day. . . . The discovery of economics was an astounding revelation which hastened greatly the transformation of society . . . while the decisive machines had been the inventions of uneducated artisans some of whom could hardly read or write. It was both just and appropriate that not the natural but the social sciences should rank as the intellectual parents of the mechanical revolution which subjected the powers of nature to man.<sup>2</sup>

This is not to deny technology. It is only to ask for the social inventions through which a technical invention became revolu-

<sup>1</sup> Cf. Michael Harrington, *The Accidental Century* (New York: Macmillan, 1965), and John Kenneth Galbraith, *The New Industrial State* (Boston: Houghton Mifflin, 1967), for recent expressions of this view.

<sup>2</sup> Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957), p. 119.

tionary instead of a museum curiosity. Administration takes a machine and makes it a "man-machine" system. The increased pace of technological change in our epoch seems only to make the need for administration more intense—or else the technological change would be wasted.

In a sense, the administrative component is a fifth form of differentiation to go along with the four earlier identified. This fifth form is a differentiation of social units that perform "system maintaining" functions. Moreover, there are several dimensions. Units within groups are separated out to administer to the internal needs of the group. In the literature of administrative science these are usually referred to as staff, auxiliary, or overhead functions. Then there is a large category of groups and institutions whose entire function is to administer services to nonmembers and groups, services once performed automatically—or not at all. Thirdly, while most groups and institutions are not founded especially to do these good works, they tend just the same to spend a great deal of their time and resources administering against some possible social disequilibrium. Some may call these "latent functions."

#### ADMINISTRATION BY GOVERNMENTS

By far the most important mechanism of administered social relations is modern government. The rise of large government with a large administrative core came relatively late in the U.S., but its coming is undoubted. Per capita dollar outlays by Federal, State, and local governments are impressive when 1878 and 1908 are compared to 1938 and 1968. Also of great significance is the rise in administrative personnel in government. But of far greater significance is the nature of the outlays of dollars and the activities of the administrative personnel. Neither budgets nor bureaucrats will measure the importance of such agencies as the Federal Reserve Board, the ICC and its sister public service commissions in all the States, the rest of the "alphabetocracy" begun in the 1930's, and the research, service, and fiscal components added largely since then. Their administrative role in the fate of persons and properties is important beyond measure.

Perhaps even more indicative of the administrative importance of modern government is the scale and purpose of expenditure at local and State levels. In 1962, local and State governments spent \$500 per capita (\$88 billion) as compared to \$460 per capita spent by the Federal government. Over 22 per cent of all State and local government expenditures went for education. Another 5 per cent went for public welfare. These figures compare very meaningfully with such traditional State and local functions as highways (10 per cent) and police and fire protection (4 per cent). The comparison indicates that the overwhelming proportion of government responsibility is administrative operation of facilities and services that a century ago were left primarily to family, neighborhood, local church, guild, and individual initiative.<sup>3</sup> Public schools have expanded downward to kindergarten and then to nursery school, toward further and further incorporation of family functions. They have expanded upward to take over more and more of the preparation for life that once was done in the labor market by the "School of Hard Knocks." And they have expanded outward, toward subjects and types of training never thought of as the province of school or anything else very public—sex hygiene, family finance, psychological and occupational guidance, and so on. (One of the basic undergraduate courses at Michigan State University for many years was *Effective Living*.) Along with this, the expansion of public welfare administration, with the Federal social security programs, suggests the extent to which many other problems outside the realm of rudimentary socialization have ceased to be a normal part of the everyday life of traditional social units. The "problem of the aged" is a simple and poignant expression of the almost total disappearance of the extended family. We are

<sup>3</sup> Even as late as 1900 public education was slipshod and far from universal. There were no standards or administrative controls regarding teacher recruitment, and every school and local district was an operation in and of itself. Only around 71 per cent of the children between 5 and 17 years of age were enrolled (compared to 84 per cent in public schools alone in 1964), and an overwhelming proportion of these were attending part-time, one-room schools. These and many other significant figures are reported in Thomas R. Dye, *Politics, Economics, and the Public* (Chicago: Rand-McNally, 1966), Chapter 4.

faced here with two quite different methods of performing one of society's natural and inevitable duties. Obviously the contemporary form is administrative.

#### PRIVATE ADMINISTRATION

The governmental response to industrialization was very late in the United States, but when it did come it was swift, massive, and administrative. However, since the rise of modern administrative government was so late, it would be too easy to come to the erroneous conclusion that for most of our modern history public order was being maintained by the self-regulating mechanisms. On the contrary, it would be closer to the truth to propose that at no time in the past century or more was there a period when society in the United States was anywhere nearly self-regulating. Allowing for a time lag during the early consolidation of capital, the administrative component has developed in hand with the technological, the commercial, and the pluralistic components. The development was simply taking place in the private sector.

The rise of administration in the private sphere began early and has been dramatic. One measure of its importance can be seen in the employment figures below. In less than half a century, administrative employees in the United States increased from below 6 per cent to nearly 25 per cent of all production employees.<sup>4</sup> The rise of this aspect of the administrative component has been even more extreme in Sweden and Great Britain. The rate of change has been a good deal less extreme in Germany (from 5 to about 12 per cent) and in France (a rate which was static at the relatively high level of over 12 per cent). However, these two latter cases are significant because France and Germany have had the largest and most authoritarian public sectors among the five. Perhaps the quantum of administrative need, public and private, was close to the same in all five.

A look inside the larger corporations in the United States

<sup>4</sup> The source for the following statistics and the graphs is Rinehart Bendix, *Work and Authority in Industry* (New York: Harper Torchbooks, 1963), pp. 216 ff.

helps specify the elements of the private administrative component. Pricing and production decisions have long been removed from the market by an immense planning, programming, and research apparatus. Undoubtedly many an American giant had the equivalent of a Five-Year Plan earlier than did the Soviet government. Bell reports that as of 1956 white-collar workers outnumbered blue-collar workers. While not all

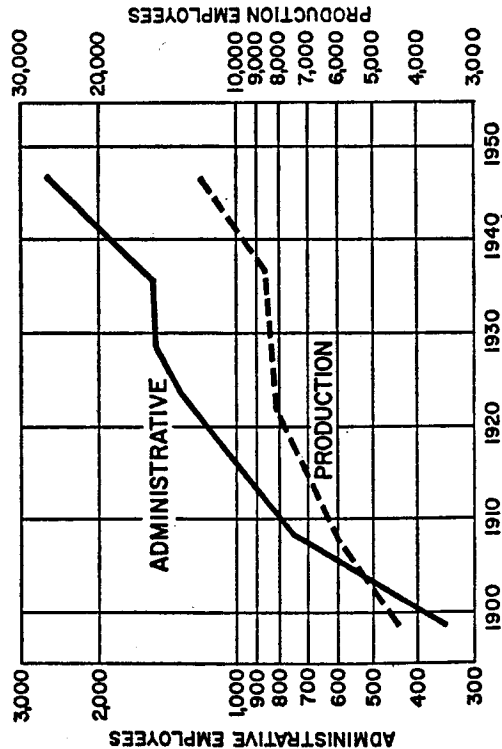


FIGURE 2.1a. Increase of the Number of Administrative and Production Employees in Industry, the United States, 1899-1947 (in thousands)

white-collar workers are administrative, they do reflect the extent to which production works by shuffling papers, handling routines, and supervising or facilitating the conduct of others.<sup>5</sup> As much as the administrative employee and internal bu-

<sup>5</sup> Daniel Bell, "Notes on the Post-Industrial Society," *The Public Interest* (Winter, 1967), 28. In this fascinating essay Bell also suggests that the post-industrial society will be typified by even the administration of knowledge and innovation: "In one sense, chemistry is the first of the 'modern' industries because its inventions—the chemically-created synthetics—were based on theoretical knowledge of the properties of macromolecules, which were 'manipulated' to achieve the planned production of new materials." (P. 29.)

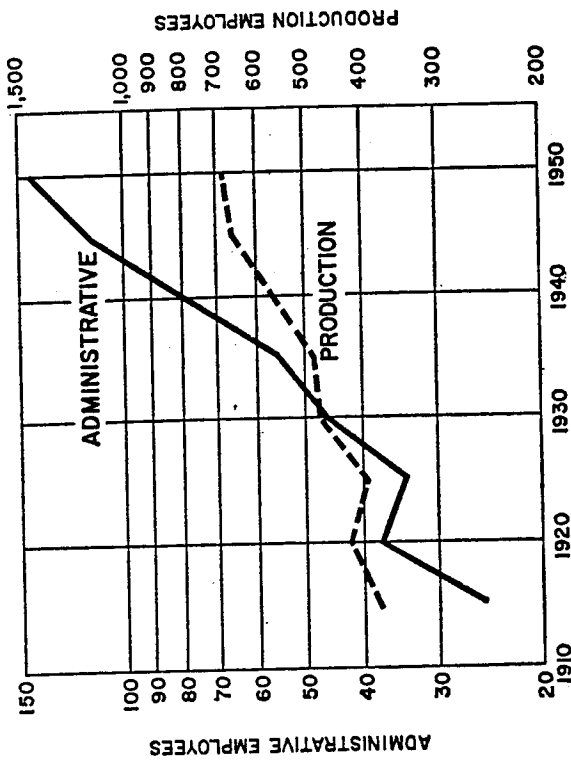


FIGURE 2.1b. Increase in the Number of Administrative and Production Employees in Industry, Sweden, 1915-1950 (in thousands)

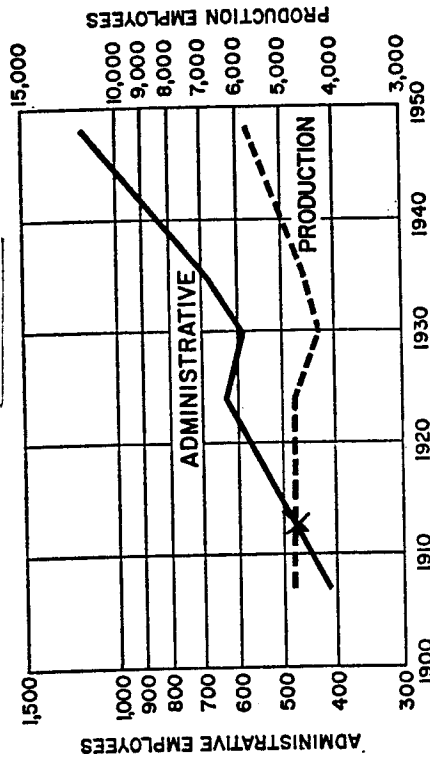


FIGURE 2.1c. Increase in the Number of Administrative and Production Employees in Industry, Great Britain, 1907-1948 (in thousands)

reaucrat apparatus help to measure the administrative component in production, so does the *trade association* indicate the degree to which the commercial dimension of the system—i.e., the market economy itself—has come also to be an administrative process. The trade association is basically an administrative structure whose most important mission is regularizing relations among participants in the same industry, trade, or sector. Where the market seeks competition, the trade association seeks to administer. Trade associations have been widely defined erroneously as pressure groups first and foremost. While they are ubiquitous in Washington and the State capitals, their basic function is administering to their members.<sup>6</sup> For example, Bauer and associates were struck by the amount of time and energy trade associations spend informing and consulting their own members relative to the time spent in political bargaining and coalition-building, even when they are involved in a highly political issue.<sup>7</sup>

The population of trade associations began to mushroom in the late nineteenth century. From a few guilds and rate bureaus, formalized economic cooperation expanded to at least 12,000 national, state, and local trade associations in 1940, when an official census was taken.<sup>8</sup> Taking a complete contemporary census would be extremely difficult; but it is difficult to imagine any product, process, or service in the U.S. whose operatives are not represented and served by at least one of these agencies of private administration. Single firms of more than modest size usually find it desirable to belong to several associations. Imagine the total number of associations if General Electric claims among its active affiliations a porcelain Enamel Institute.<sup>9</sup>

<sup>6</sup> Cf. Melvin Anshen and Francis D. Wormuth, *Private Enterprise and Public Policy* (New York: Macmillan, 1954), p. 319. Their entire Chapter 11 is an excellent discussion of the various devices of "business self-government" administered by trade associations.

<sup>7</sup> Raymond Bauer et al., *American Business and Public Policy* (New York: Atherton, 1963), esp. pp. 315 ff.

<sup>8</sup> Trade Association Survey, TNEC Monograph No. 18 (Washington: U.S. Government Printing Office, 1941).

<sup>9</sup> For good treatments see Robert A. Brady, *Business as a System of Power* (New York: Columbia University Press, 1943), pp. 189 ff.; and David B. Truman, *The Governmental Process* (New York: Alfred A.

Trade associations cannot be cast off as evils of overbureaucratized, overcentralized, and oligopolistic business that would disappear if some semblance of competition could be reintroduced. The fact is, the administrative functions of trade associations become even more necessary in decentralized markets. The number of firms is greater, the fear of competition is stronger; and the need for research and marketing services, trained personnel, and so on turns smaller firms to outside forms of administration where bigger firms can provide much of this internally. Three of the most famous trade associations—the National Association of Real Estate Boards, the National Association of Retail Druggists, and the American Medical Association—administer to highly decentralized markets.

The rise of private administration is not manifested only in economic phenomena. In the first place, many of the functions of all trade associations are noneconomic. Moreover, many thousands of groups that are not trade associations perform administrative services vital to the stability of the society. For example, regular social service becomes attached as a "latent function" to most groups. Robert Merton observes best how the old-time urban machine was rooted not merely in control of office but more solidly still in its displacement of impersonal controls with informal and personalized, yet systematic, controls.<sup>10</sup> Then there is the proliferation of groups—"do-gooder" groups—manifestly dedicated to ministering to one problem or another of socialization or social control. Between church school and public school and all related activities, almost nothing is left to the family, clan, neighborhood, or guild—or to chance. Even sand-lot baseball has given way to Little Leagues, symptomatic of an incredible array of parental groups and neighborhood businesses organized to see that the child's every waking moment is organized, unprivate, wholesome, and, primarily, oriented toward an ideal of adjustment to the adult life of rationality that comes all too soon.

All of the larger voluntary associations, as well as most of Knopf, 1951), pp. 55-62. Note particularly the second level of administration, the "peak association," an organization whose members are mainly other organizations.

<sup>10</sup> Robert Merton, *Social Theory and Social Structure* (New York: Free Press, 1957), Chapter 1.

the smaller ones have given up their spontaneity for a solid administrative core. The study of groups limited to capitols and city halls tends to exaggerate the political over the socio-administrative. Life in the cities would be hard to imagine without the congeries of service and charitable agencies that, systematically, help keep our streets clean of human flotsam and jetsam. Of growing importance are the family service agencies, agencies for the elderly, for adoption, and for maternal and child care, all of which in turn draw financial support from still other (e.g., Community Chest, United Fund) agencies that are still more tightly administrative. To repeat, all such groups naturally possess potential political power, but only occasionally are they politicized. The rest of the time they administer.

Another all-too-little appreciated example of private administration is the nonprofit sector of our economy and its phenomenal expansion in the past generation. In other countries many of these units are governmental, but that only emphasizes the administrative importance of their function in the United States. This sector includes mutual insurance companies, savings and loan associations, professional societies, foundations, cooperatives, health insurance programs, research organizations, private universities, and so on. Each deals administratively with some vital element of social relations. Each receives special privileges in tax law and in other ways precisely because as a category they are all considered to be dedicated more to community than to competitive goals. Together they employed 3.3 million people, or 4.9 per cent of the labor force, in 1960. The growth of these organizations between 1950 and 1960 accounted for nearly one out of every two net new jobs, one in three of all new jobs.<sup>11</sup> These jobs are administrative, as are the organizations.

Perhaps the most unappreciated service in that sector, although by no means all of it is classified as nonprofit, is insurance. Most studies have catalogued the impressive rise of insurance as a mere part of the general phenomenon "concentrated

<sup>11</sup> Eli Ginzberg et al., *The Pluralistic Economy* (New York: McGraw-Hill, 1965), pp. 22, 61, 139.

tration of economic power."<sup>12</sup> Or they give it no treatment at all.<sup>13</sup> But the insurance companies are far more socially significant in that we rely upon them to administer our conflicts, with each other or with nature, rather than leave these to spontaneous confrontation or traditional litigation. Companies set up to run death benefits and pensions have helped further to replace the family. Fire, automobile, theft, weather, travel, title, and other insurance is provided by companies that administer our liabilities.<sup>14</sup> The liability lawyer may not be so highly regarded as he goes after the big settlement and makes our premiums rise; but he is, for all that, no less important a functionary in the modern social apparatus. Ponder just for a moment the social implications of "liability insurance." Recall, for example, your last traffic jam. It will then be impossible to imagine that an interdependent society could exist without the socialization of risk. Keeping these social accounts requires an incredibly large and intricate administrative apparatus. The insurance industry is precisely that.

Finally, there is that category called interest groups, in the most orthodox pluralistic sense. Interest groups do compete and coalesce, as political scientists say. Yet they also possess an important administrative dimension. They would have no "staying power" at all if they did not have an efficient bureaucracy. This is particularly true of the large groups most frequently noted for their national political importance. Unions, like trade associations, administer and reduce competition within their own ranks. Job classification alone, despite such occasional absurdities as the electrician's helper who is forbidden to move a rug or a broom, is vital to industrial peace; and it is no less an administrative process because unions rather than government civil service commissions participate in the

<sup>12</sup> This approach was inspired by the TNEC research of the late 1930's. For example, David Lynch, *The Concentration of Economic Power* (New York: Columbia University Press, 1946), pp. 122-23.

<sup>13</sup> For example, W. W. Rostow, *The Stages of Economic Growth* (London: Cambridge University Press, 1960); and J. K. Galbraith, *American Capitalism* (Boston: Houghton Mifflin, 1962).

<sup>14</sup> Cf. Edgar S. and Jean C. Cahn, "What Price Justice; The Civilian Perspective Revisited," *Notre Dame Lawyer* (1966), pp. 936-38.

classification. Even when trade unions square off against employer groups the relationship is, at least since the 1930's, one in which the labor market is replaced by an administrative process. General demand affects collective bargaining, and together these two competitive mechanisms comprise part of the relationships. However, general demand and collective bargaining are most often marginal; in "labor-management relations," collective bargaining has become a brief, albeit critical, moment in a long process of administering the terms of the labor-management contract. In the strictly political realm fewer intergroup relations may be so strongly institutionalized; but the many notable examples suggest that the pattern is significant and increasing. From the NAM and the U.S. Chamber of Commerce and all the state chambers, to the Farm Bureau Federation, to the Federation of Jewish Philanthropies and the Council of Churches, to the AFL-CIO, we have layer upon layer of "peak associations," which exist to institutionalize relations among constituent groups. Each peak association and every major interest group started out as a coalition that eventually perpetuated itself by the development of a central administrative core.<sup>16</sup>

Stress on the administrative component is not an attempt to deny the existence of the self-regulating mechanisms of markets and pluralism. It is rather to stress what is still more modern about social control, including those very mechanisms. Groups, federations, insurance companies, corporations, and government agencies share at least one common trait; they impose an administrative process on as much of their internal structures and on as much of their environments as they possibly can. Whether one looks first at the Little League, the bureaucratization of philanthropy, or community psychiatry; or whether one comes first to appreciate the cheap insurance

<sup>16</sup> Cf. Truman, *op. cit.*, Chapters 2-4. See also Robert Michels, *Political Parties* (New York: Collier Books; first published 1915). His general theory of parties and pressure groups is based largely on this sort of development among European unions and democratic socialist parties. See also Wallace Sayre and Herbert Kaufman, *Governing New York City* (New York: Russell Sage Foundation, 1960), pp. 497 ff., for the composition of typical large groups in cities.

which is the real secret of farm bureaus and many other societies; or whether one starts with awareness of the indenturing of the middle classes in career and salary plans and retirement plans; or whether one looks at the staff of a powerful pressure group or the headquarters of a national trade association: one way or the other the true image of modern society emerges. In hardly more than two peaceful generations the great American prototype has passed from Andrew Carnegie to Dale Carnegie.

#### PLURALISM, ITS INFLUENCE, ITS FALLACIES

Central to capitalist theory is the belief that power and control are properties of the state and, therefore, should be feared and resisted. This proposition, while hard to deny, is patently one-sided; in fact it covers only one of at least three sides. It says nothing about who controls the state; and it says nothing about institutions other than the state that possess the same properties of power and control.

The Marxist critique of capitalism is overwhelming on the question of control of the state, especially when applied to the very period of industrial growth when fear of the state was so pervasive in the U.S. Up to a point capitalist values were so directly expressed in the activities of Federal and State governments that it would have been impossible to say where the one ended and the other began. The very idea of capitalist public philosophy can be accurately termed a euphemism for capitalist political power during most of the nineteenth century. It was not a question of influence on the policy-maker; capitalism was so pervasive because it operated as an influence in the policy-maker.

Important as the Marxist analysis has been, American history suggests that it, like capitalist theory, presents one-sided truths. The side left untouched by capitalism and falsely treated by Marxism is that of the nature and significance of the institutions other than the state in an industrial civilization. Here the pluralist model is overwhelmingly superior, at least for American society.



Pluralist theory begins with recognition that there are many sources of power and control other than the state. In our differentiated society, there will be many basic interests represented by organizations able and willing to use power. This is why the pluralist can accept government expansion with equanimity. But the significance of the pluralistic organization of the society goes beyond that. Since there are so many well-organized interests, there is, in pluralist theory, no possibility that a unitary society, stratified in two or three simple, homogenized classes, could persist. The result, however, is not the Marxist revolution where the big class devours the small, but an evolution in which the unitary society becomes a pluralistic one—i.e., where the addition and multiplication of classes tends to wipe out the very notion of class stratification.<sup>16</sup> Stratification in two simple classes, bourgeoisie and proletariat, seems to have been a passing phase of early industrialization. Perhaps that is the reason why it figured so large in the sociology of Marx.

#### PLURALISM AS THEORY: UBIQUITY OF CONTROL, AUTONOMY OF POLITICS

Alexis de Tocqueville, over a decade before Marx, identified many of the fundamental features of the industrial society. He expressed strikingly similar concern about the sort of society which was emerging. In his essay "How an Aristocracy May Be Created by Manufactures," Tocqueville went to the core of the matter. He began by recognizing the importance of the division of labor and proceeded immediately to a consideration of what it does to human beings and social classes:

While the workman concentrates his faculties more and more upon the study of a single detail, the master surveys an extensive whole, and the mind of the latter is enlarged in proportion as that of the former is narrowed. . . . [I]n proportion as the mass of the nation turns to democracy, that particular class which is engaged in

<sup>16</sup> For a well-balanced discussion of the weakening of social class stratification in the United States and other industrializing societies, see Sir Ernest Barker, *Reflections on Government* (New York: Oxford University Press, 1942), pp. 108 ff.

manufactures becomes more aristocratic. Men grow more alike in the one, more different in the other; and inequality increases in the less numerous class in the same ratio in which it decreases in the community.<sup>17</sup>

However, unlike Marx, Tocqueville provided more than a theory of alienation within simple social classes. He also paid attention to the composition of this industrial aristocracy. Tocqueville saw this new aristocracy as quite peculiar in comparison to its predecessors. While there are and will be extremes of wealth and poverty, the members of the new aristocracy do not constitute a unitary social class, for there develop no feelings of class, no consciousness of shared status:

To tell the truth, though there are rich men, the class of rich men does not exist; for these rich individuals have no feelings or purposes, no traditions or hopes, in common; there are individuals, therefore, but no definite class. . . . [T]he rich [are] not completely united among themselves. . . .<sup>18</sup>

This was the very basis of James Madison's argument half a century before—and nothing had happened between Madison and Tocqueville to alter the fact—that industrialization produces social diversity along with extremes of wealth and poverty: "A landed interest, a manufacturing interest, a mercantile interest, a moneyed interest, with many lesser interests." <sup>19</sup> Developments in the generations since Federalist 10 would only require that we lengthen Madison's list. Pluralists do not have to deny the Marxian proposition that there is a conflict between those who own and those who work for those who own. They need only answer by adding to Marx's the other equally intense conflicts. Exporters cannot love importers, except perhaps on the Fourth of July—and, in fact, many people may still have misgivings about the patriotism of importers. Renters cannot love owners. Borrowers cannot love lenders, nor creditors debtors, and this is particularly interesting in our day, when the biggest debtors are not the poor but the rich.

<sup>17</sup> Alexis de Tocqueville, *Democracy in America*. Reprinted in Lowi, *op. cit.*, p. 15.

<sup>18</sup> *Ibid.*, p. 15.

<sup>19</sup> *Ibid.*, p. 19.

