

Chapter 13

Political and Economic Institutions

Sections

1. Power and Authority
2. Political Power in American Society
3. Economic Systems
4. The Modern Corporation
5. Work in the Modern Economy

Learning Objectives

After reading this chapter, you will be able to

- distinguish among power, coercion, and authority.
- identify three forms of authority.
- discuss differences among democracy, totalitarianism, and authoritarianism.
- explain how voting is an exercise of power.
- list characteristics of capitalism and socialism.
- describe America's changing workforce.
- discuss the consequences of corporate downsizing.



Applying Sociology

The American political system reflects the history of how our institutions were formed. It also reflects how that system has evolved over more than 200 years.

In the photo at left, groups of Americans—and no doubt, many tourists from other nations as well—are standing in line at the National Archives in Washington, D.C. Their quest? To view the U.S. Constitution. The Constitution embodies the political values that most Americans share. Those values include individual freedom, equality before the law, justice, opportunity, democracy, and tolerance. These values are most readily accessible in the Bill of Rights of the Constitution.

The American political system is pluralistic, that is, different groups organize to participate in decision-making. As people from other nations have often said, it is our shared values, however, that allows us to peacefully work through political differences.

In this chapter, we will examine not only political institutions, but the economic institutions that guide the division of economic resources.



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Chapter Overview

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Power and Authority

Key Terms

- **economic institution** (p. 424)
 - **political institution** (p. 424)
 - **power** (p. 425)
 - **coercion** (p. 425)
 - **authority** (p. 425)
 - **charismatic authority** (p. 426)
 - **traditional authority** (p. 427)
 - **rational-legal authority** (p. 427)
 - **representative democracy** (p. 428)
 - **totalitarianism** (p. 430)
 - **authoritarianism** (p. 431)
-
- **economic institution**
institution that determines how goods and services are produced and distributed
 - **political institution**
institution that determines how power is obtained and exercised

Section Preview

Authority is the sanctioned use of power. Political systems can be based on three types of authority: charismatic, traditional, and rational-legal. Democratic, totalitarian, and authoritarian are types of political systems. In democracies, power lies with elected officials. Totalitarian political systems have absolute rulers who control all aspects of political and social life. Authoritarian rulers possess absolute control but often permit some personal freedoms.

Definitions of Power and Authority

In 1997, the powerful Teamsters Union went on strike against United Parcel Service (UPS) to protest the company's cost-cutting policy of eliminating permanent positions and replacing them with part-time or temporary positions. When UPS asked then-president Bill Clinton to intervene in the dispute (on the grounds that the company provided an essential national service), it demonstrated the close connection between business and government in modern American society.

The set of functions that concern the production and distribution of goods and services for a society is called the **economic institution**. Because economic decisions affect how valuable resources are shared between organizations and the general public, conflicts inevitably arise. The responsibility for handling these conflicts lies with the institution through which power is obtained and exercised—the **political institution**. These two institutions are so closely interrelated that it is very hard to think of them as separate. For a



These prison inmates are subject to the power of the political institution that convicted them.

beginning study of sociology, however, we can think of economics as the distribution of resources and politics as the exercise of power. This chapter will look first at how politics affects group behaviors and then at the economic scene.

What is power? As stated in Chapter 1, Max Weber profoundly influenced sociological theory. You read about him again in Chapter 6, which examined formal organizations and bureaucracies. Weber's contribution to political sociology deals with his identification of different forms of power and authority. Weber defined **power** as the ability to control the behavior of others, even against their will. Power takes various forms. Some people, for example, wield great power through their personal appeal or magnetism. John F. Kennedy, Martin Luther King, Jr., and César Chávez were able to influence others through the force of their charismatic personalities.

Weber recognized another form of power that he called coercion. **Coercion** is the use of physical force or threats to exert control. A blackmailer might extort money from a politician. A government might take, without compensation, the property of one of its citizens. In such cases, the victims do not believe this use of power is right. In fact, they normally are resentful and want to fight back. Weber recognized that a political system based on coercive power is inherently unstable; that is, the abuses of the system itself cause people to rise against it.

What is authority? Weber also believed that a political institution must rest on a stable form of power if it is to function and survive. This more stable form of power is **authority**. Authority is power accepted as legitimate by those subject to it. For example, students take exams and accept the results they receive because they believe their teachers have the right (authority) to determine grades. Most citizens pay taxes because they believe their government has the right (authority) to collect money from them.

● **power**
the ability to control the behavior of others

● **coercion**
control through force

● **authority**
power accepted as legitimate by those subject to it



The authority that belongs to teachers is a stable form of power because most students accept a teacher's right to control certain processes.



César Chávez, John F. Kennedy, and Martin Luther King, Jr., were charismatic leaders. What does charismatic mean?

Forms of Authority

Weber identified three forms of authority—*charismatic*, *traditional*, and *rational-legal*. People who live under governments based on these forms recognize authority figures as holders of legitimate power.

- **charismatic authority**
authority that arises from the personality of an individual

What is charismatic authority? Charismatic authority arises from a leader's personal characteristics. Charismatic leaders lead through the power or strength of their personalities or the feelings of trust they inspire in a large number of people. In addition to Kennedy, King, and Chávez, Nelson Mandela and Fidel Castro have strong personalities that make them highly charismatic leaders.

For modern nation-states, however, charismatic authority alone is too unstable to provide a permanent basis of power. It is linked to an individual and is therefore difficult to transfer to another. When charismatic leaders die, the source of power is removed. Adolf Hitler, himself a charismatic leader, made an attempt at the end of World War II to name his successor. But as historian John Toland has noted:

Hitler's death brought an abrupt, absolute end to National Socialism. Without its only true leader, it burst like a bubble. . . . What had appeared to be the most powerful and fearsome political force of the twentieth century vanished overnight. No other leader's death since Napoleon had so completely obliterated a regime (Toland, 1976:892).

So even governments controlled by charismatic leaders must eventually come to rely on other types of authority. The two alternatives to charismatic authority identified by Weber are traditional authority and rational-legal authority.

What is traditional authority? In the past, most states relied on **traditional authority**, in which the legitimacy of a leader is rooted in custom. Early kings often claimed to rule by the will of God, or divine right. The peaceful transfer of power was possible because only a few individuals, such as offspring or other close relatives, were eligible to become the next ruler. The kings in eighteenth-century Europe, for example, counted on the custom of loyalty to provide a stable political foundation. Tradition provided more stability than charismatic authority could have provided.

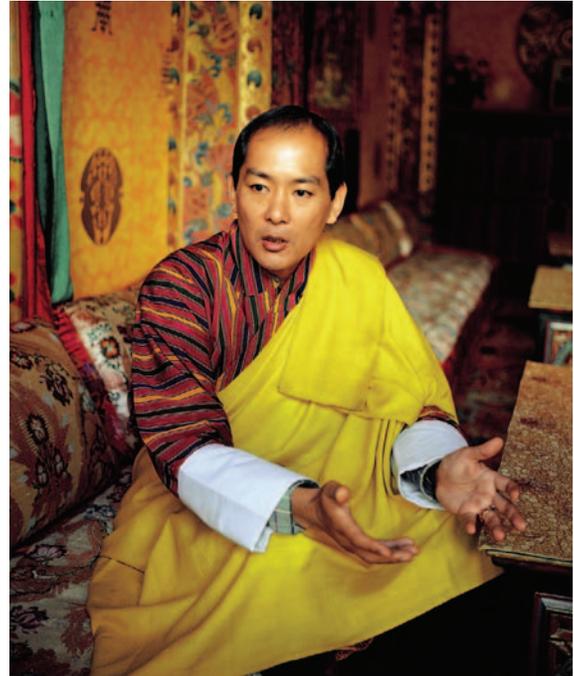
What is rational-legal authority? Most modern governments are based on **rational-legal authority**. In this type of government, power resides in the offices rather than in the officials. Those people who hold government offices are expected to operate on the basis of specific rules and procedures that define and limit their rights and responsibilities. Power is assumed only when the individual occupies the office. Many leaders in religious organizations fall under this category of authority.

Since rational-legal authority is invested in positions rather than in individuals, persons lose their authority when they leave their formal positions of power. When a new president is elected, for example, the outgoing president becomes a private citizen again and gives up the privileges of the office. Furthermore, leaders are expected to stay within the boundaries of their legal authority. Even presidents (Richard Nixon, for example) can lose their power if their abuse of power is made public. Thus, legal authority also limits the power of government officials.

Types of Political Systems

As societies have evolved through the centuries, so have different forms of political systems (Nolan and Lenski, 2005). In hunting and gathering societies, there was very little formal government. Political leaders were typically chosen on the basis of exceptional physical prowess or personal charisma. Formal governmental structures emerged with the development of agricultural economies and the rise of city-states. As societies became more diversified with the development of commerce, industry, and technology, government began to take the form of the national political state. The first strong nation-states, including France, Spain, and England, appeared in the late 1400s. Gradually, traditional authority was replaced by rational-legal authority. Contemporary nation-states can be classified into three basic types: *democratic*, *totalitarian*, and *authoritarian*.

- **traditional authority**
form of authority in which the legitimacy of a leader is rooted in custom



King Jigme Singye Wangchuck rules Bhutan through the exercise of traditional authority. The Bhutanese people believe that their king is the realization of a religious prophecy made more than three centuries ago.

- **rational-legal authority**
form of authority in which the power of government officials is based on the offices they hold

Democracy

- **representative democracy**
a system of government that uses elected officials to fulfill majority wishes

Democracy in its pure form, as practiced by the ancient Greeks, involves all citizens in self-government. This type of direct democracy is similar to that practiced in New England town meetings, where the citizens debated and voted directly on various issues. More familiar to us today is **representative democracy**, in which elected officials are responsible for fulfilling the wishes of the majority of citizens.

What assumptions are made in a representative democracy? Representative democracy operates under two assumptions. The first is that realistically, not everyone in modern society can be actively involved in all political decision making. Thus, although citizens are expected to vote, most citizens are not expected to be deeply involved in politics. Second, political candidates who fail to satisfy the wishes of the majority are not expected to win reelections.

With the major two-party system of the United States, we have a “winner take all” form of representative democracy. Here, the party with the most votes wins the election. In other countries, as in Europe where third-party systems are common, political parties participate in the government to the extent that they win representation in general elections. For example, one party might win 40 percent of the vote and control 40 percent of the legislature. Three other parties might take 20 percent each and control a combined 60 percent of the legislature. This proportional representation system seems to be more democratic as it tends to encourage compromises and cooperation in forming governments. Governments formed under this system can be fragile, however, and shifting political alliances may be able to force new elections after short periods of time.

Germany’s parliamentary system is a representative democracy.

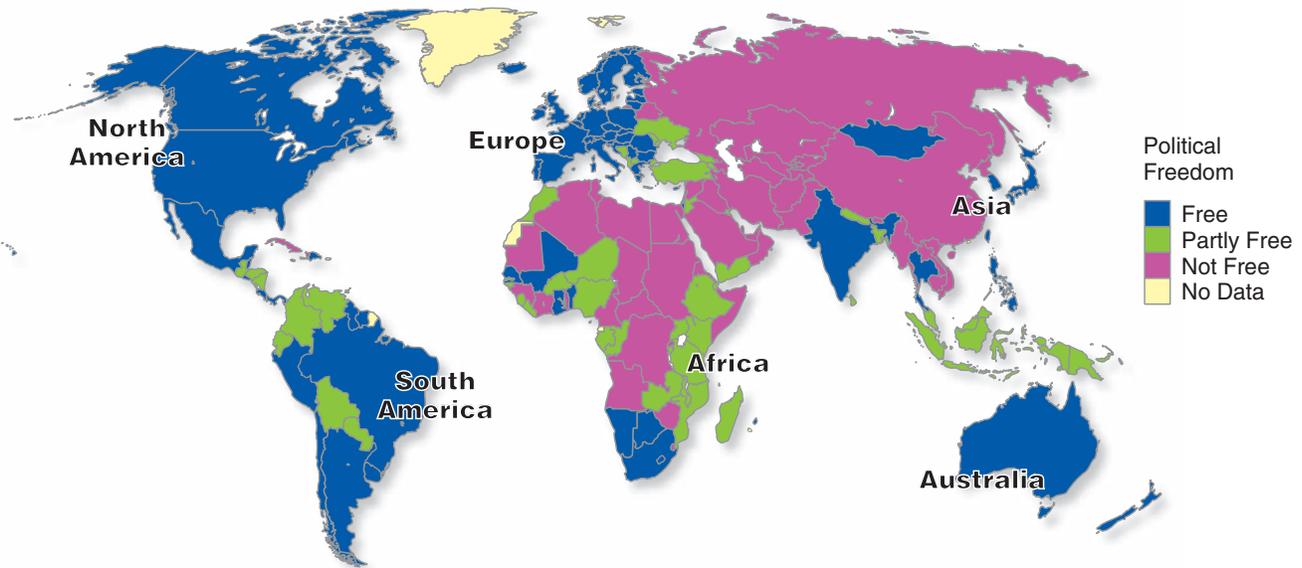


World View



Political Freedom

Democracy is unevenly distributed worldwide. The accompanying map classifies countries according to three degrees of political freedom: free, partly free, and not free.



Interpreting the Map

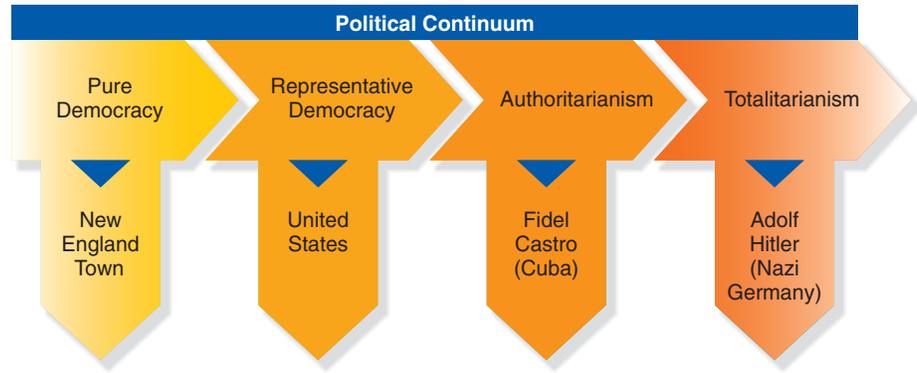
1. Do you see any pattern in the degree of political freedom around the world?
2. Predict how political freedom around the world will change in the next fifty years. Explain your predictions.

Source: Freedom House, Washington, D.C., 2005.

Is democracy spreading? The collapse of Soviet communism and the end of the Cold War created opportunities for more societies to adopt democratic forms of government. Current evidence does suggest that democratic societies are on the rise (Freedom House, 2005). For example, 46 percent of the world's countries were classified as "free" in 2004, up from 40 percent in 1994 (see World View above). Also in 2004, 44 percent of the world's people lived in free countries, up from 39 percent in 1999. This increase occurred even though Russia in 2004 was identified as "not free" for the first time since the breakup of the Soviet Union.

Figure 13.1

The Political Continuum
Political institutions offer varying degrees of freedom for their members.



Totalitarianism

- **totalitarianism**
a political system in which a ruler with absolute power attempts to control all aspects of a society

Totalitarianism lies at the opposite end of the political spectrum from democracy. In this type of political system, a ruler with absolute power attempts to control all aspects of a society. Characteristics of totalitarian states include

- a single political party, typically controlled by one person.
- a well-coordinated campaign of terror.
- total control of all means of communication.
- a monopoly over military resources.
- a planned economy directed by a state bureaucracy.

Examples of totalitarian states include Iraq under Saddam Hussein, the former Soviet Union, and Nazi Germany.

Hitler's National Socialist (Nazi) government, which came to power in Germany in the early 1930s, offers an example of the way a totalitarian system works. Despite presenting a false image of democracy to the world, Hitler and the National Socialist Party held all the power. The Nazis seized or shut down nearly all news media. Hitler's four-year economic plans included strategies for budgets, production, organization of factories, and forced labor. Hitler dominated the armed forces. His absolute control was strengthened by the Gestapo secret police and SS troops, who terrorized Hitler's political enemies and private citizens. The SS brutally and systematically put to death over six million European Jews and others—a mass killing now known as the Holocaust.



Why can we classify Adolf Hitler as a totalitarian leader?



What category of leader does Cuban president Fidel Castro represent?

Authoritarianism

For sociologists, authoritarianism is a middle category between democracy and totalitarianism, although it is closer to totalitarianism than to democracy. **Authoritarianism** refers to a political system controlled by elected or nonelected rulers who usually permit some degree of individual freedom but do not allow popular participation in government. Countless governments have leaned toward totalitarianism but have fallen short of all its defining characteristics. These governments are classified as authoritarian. Examples include certain monarchies (the dynasties of the shahs of Iran) and military seizures of power (Fidel Castro's takeover of Cuba).

- **authoritarianism**
a political system controlled by elected or nonelected rulers who usually permit some degree of individual freedom

Section 1 Assessment

1. What is the difference between authority and coercion?
2. Which type of authority places the strongest limits on government officials?
3. Explain how direct democracy differs from representative democracy.

4. Briefly describe the three major types of political systems.

Critical Thinking

5. **Sequencing Information** Like all organizations, high schools are based on some form of authority. Explain, with examples, which form

or forms of authority you believe are applicable to high schools.

6. **Synthesizing Information** In which form of government would you expect to find charismatic authority? Traditional authority? Rational-legal authority?

Another Place



China's One-Child Policy

How much control a government has over the daily lives of its citizens varies greatly from one political system to another. The excerpt below describes one way in which a strict, authoritarian government exerts control.

China's communist government adopted the one-child policy in 1979 in response to the staggering doubling of the country's population during Mao Zedong's rule. Mao, who died in 1976, was convinced that the country's masses were a strategic asset and vigorously encouraged the Chinese to produce even-larger families.

China's family-planning officials wield awesome powers, enforcing the policy through a combination of incentives and deterrents. For those who comply, there are job promotions and small cash awards. For those who resist, they suffer stiff fines and loss of job and status within the country's tightly knit and heavily regulated communities. The State Family Planning Commission is the government ministry entrusted with the tough task of curbing the growth of the world's most populous country, where 28 children are born every minute. It employs about 200,000 full-time officials and uses more than a million volunteers to check the fertility of hundreds of millions of Chinese women.

When a couple wants to have a child—even their first, allotted one—they must apply to the family-planning office in their township or workplace, literally lining up to procreate. "If a woman gets pregnant without permission, she and her husband will get fined, even if it's their first," . . . "it is fair to fine her, because she creates a burden on the whole society by jumping her place in line."

The official Shanghai Legal Daily last year reported on a family-planning committee in central Sichuan province that ordered the flogging of the husbands of 10 pregnant women who refused to have abortions. According to the newspaper, the family-planning workers marched the husbands one by one into an empty room, ordered them to

strip and lie on the floor and then beat them with a stick, once for every day their wives were pregnant.

Source: Excerpted from Daniela Deane, "The Little Emperors," *Los Angeles Times Magazine* (July 26, 1992): 138, 140. © Daniela Deane.

Thinking It Over

What implications does this governmental policy have for the future of the Chinese family and for the future of China in general.

China's authoritarian government gave it the power needed to institute strict population controls, often referred to as the "one-child policy."



Political Power in American Society

Section Preview

The two major models of political power are elitism and pluralism. Advocates of the conflict perspective believe American society is controlled by elites. Pluralists, whose view is associated with functionalism, depict power as widely distributed among interest groups. Voting does not seem to be an effective means for nonelites to influence political decisions in the U.S.

Key Terms

- political socialization (p. 434)
- pluralism (p. 435)
- elitism (p. 435)
- interest group (p. 437)
- power elite (p. 439)

Influence of the Vote

Like all other democracies today, the United States emphasizes political participation through voting. Voting is an important source of power for citizens. It enables us to remove incompetent, corrupt, or insensitive officials from office. It also allows us to influence issues at the local, state, and national levels.

How much real choice do voters have? In practice, the amount of real choice exercised through voting is limited. The range of candidates from which to choose is restricted because of the power of political parties. Usually, only a candidate endorsed by a major political party has a chance of winning a state or national office. To get party support, a candidate must appeal to the widest possible number of voters. As a result, candidates often resemble each other more than they differ. In addition, the cost of running a political campaign today limits the choice of candidates to those who have party backing or are independently wealthy. George W. Bush, for example, announced in August of 2000 that he had spent nearly \$150 million to win the Republican Party nomination.



One way that candidates for the office of president of the United States make their views known to the American people is through the use of nationally televised debates.

Political socialization helps to determine what political battles we choose to fight.



- **political socialization**
informal and formal processes by which a person develops political opinions



Student Web Activity
Visit the *Sociology and You* Web site at glencoe.com and click on **Chapter 13—Student Web Activities** for an activity on political socialization.

On what do we base our votes? Most attitudes and beliefs that are expressed as political opinions are gained through a learning process called **political socialization**. This process can be formal, as in government class, or informal. The informal process interests sociologists because it involves such factors as the family, the media, economic status, and educational level. Studies have shown that most political socialization is informal.

A brief summary of the major agents of political socialization follows.

- **The family.** Children learn political attitudes the same way they learn values and norms, by listening to everyday conversations and by watching the actions of other family members. The influence of the family is strong. In one study, more high school students could identify their parents' political party affiliation than any other of their parents' attitudes or beliefs.
- **Education.** The level of education a person has influences his or her political knowledge and participation. For example, more highly educated men and women tend to show more knowledge about politics and policy. They also tend to vote and participate more often in politics.
- **Mass media.** Television is the leading source of political and public affairs information for most people. Television and other mass media can determine what issues, events, and personalities are in the public eye. By publicizing some issues and ignoring others, and by giving some stories high priority and others low priority, the media decide the relative importance of issues. The mass media obviously play an important role in shaping public opinion, but the extent of that role is unclear. Studies indicate that the media have the greatest effect on people who have not yet formed opinions.

- **Economic status and occupation.** Economic status clearly influences political views. Poor people are more likely to favor government-assistance programs than wealthy people, for example. Similarly, where you work affects how you vote. Corporate managers are more likely to favor tax shelters and aid to businesses than hourly workers in factories.
- **Age and gender.** Young adults tend to be more progressive than older persons on such issues as racial and gender equality. Women tend to be more liberal than men on such issues as abortion rights, women's rights, health care, and government-supported child care.

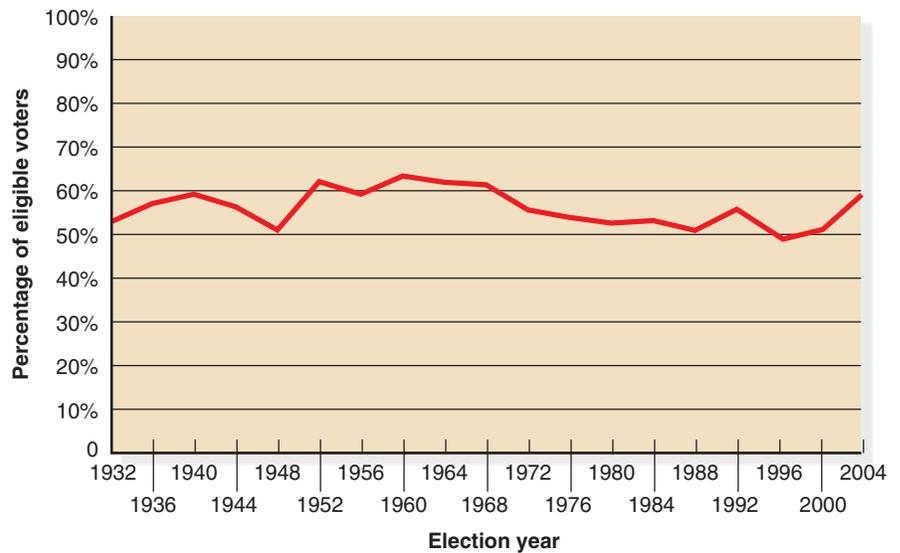


Figure 13.2
Voter Participation in Presidential Elections: 1932–2004

Is there any correlation between the confidence level and the voter participation rate? Explain.

Source: U.S. Bureau of the Census, *Statistical Abstract of the United States, 2004–2005 and Current Population Survey* (November 2004).

How fully do Americans take advantage of the right to vote? In 2004, 58 percent of eligible U.S. voters exercised their right (see Figure 13.2). Just under 29 percent of eligible voters voted for George W. Bush, a proportion comparable to the 27 percent who elected President Reagan in 1980. In fact, the United States has one of the the lowest voter turnout rates in the industrialized world (IDEA, 2005).

The American public's interest in voting is very low, partly because of a relatively low level of confidence in political leaders. Another reason for lower voter turnout is that political parties are no longer as instrumental in getting voters to the polls as they once were. In general, minorities and the lower and working classes tend to vote in smaller proportions than whites and the middle and upper classes. Members of minorities, people with little education, and people with smaller incomes are less likely to vote in both congressional and presidential elections.

Two Models of Political Power

In a democratic society, two major models of political power are evident—*pluralism* and *elitism*. According to **pluralism**, political decisions are the result of bargaining and compromise among special interest groups. No one group holds the majority of power. Rather, power is widely distributed throughout a society or community. In contrast, according to **elitism**, a community or society is controlled from the top by a few individuals or organizations. Power is concentrated in the hands of an elite group whose members have common interests and backgrounds. The masses are very weak politically.

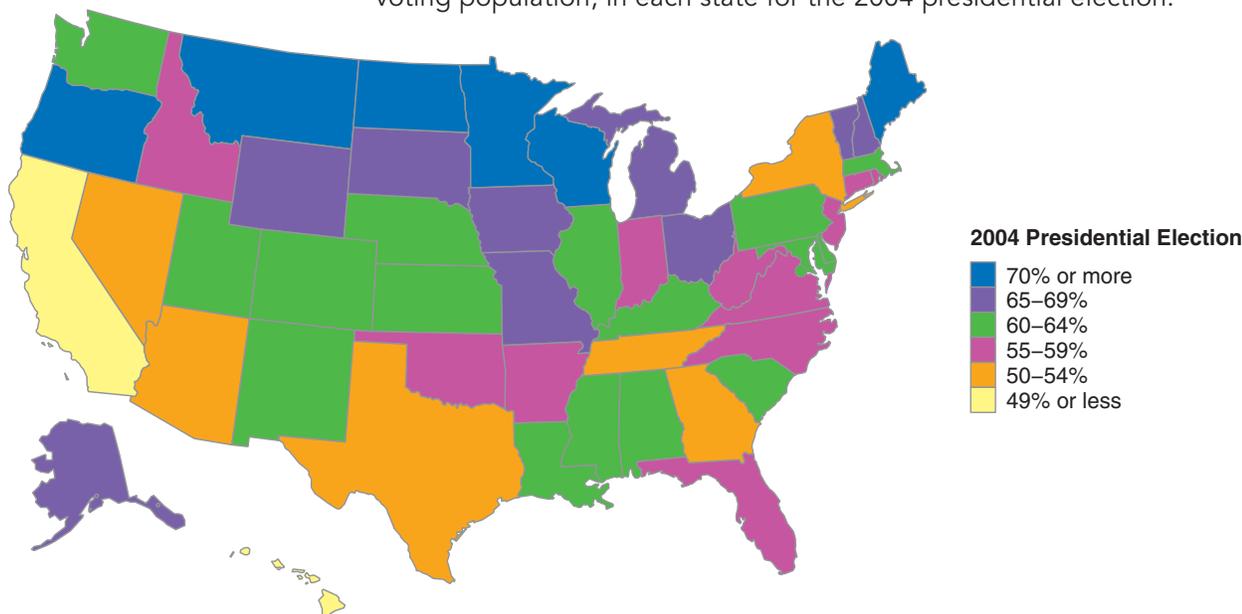
Functionalists think that pluralism based on the existence of diverse *interest groups* best describes the distribution of power in America. While recognizing competition among interest groups, functionalists contend that it is based on an underlying consensus regarding the goals of the entire society. Elitism is based on the conflict perspective. This theory of power distribution assumes that the elites are constantly working to maintain their

- **pluralism**
 system in which political decisions are made as a result of bargaining and compromise among special interest groups
- **elitism**
 system in which a community or society is controlled from the top by a few individuals or organizations

Snapshot of America

Voter Turnout

It is commonly said that the voter holds the power in American politics. What often goes unsaid is that to exercise this power, the voter must actually vote. This map shows the voter turnout, as a percentage of the eligible voting population, in each state for the 2004 presidential election.



Interpreting the Map

1. Do you see any patterns in the voting rates? Describe them.
2. Identify some reasons for the distribution of rates.
3. What should be done to increase voter turnout rates?

Source: U.S. Bureau of the Census, Current Population Survey, November 2004.

hold on society's major institutions. In so doing, elites force others to help them reach their own goals. These two models are illustrated in Figure 13.3.

Functionalist Perspective: Pluralism

According to pluralists, major political decisions in the United States are not made by an elite few. As an example, they point to the beneficiaries of the 2001 tax-cut bill. Tax breaks came not only to the wealthy, such as Microsoft's Bill Gates, but also to groups with more modest resources, such as churches and mental health care facilities.

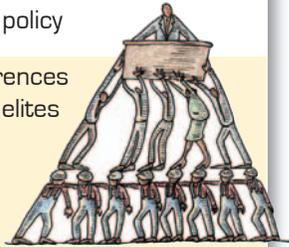
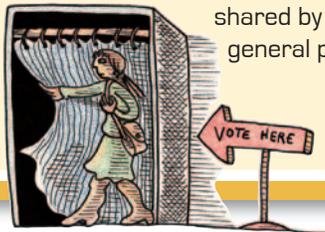


Figure 13.3

Characteristics of Two Models of Political Power

This table illustrates the way the functionalist and conflict perspectives view political power. Several key features of the political system are compared. Which theory do you think best describes power in the U.S.? Explain.

Characteristics	Functionalist Perspective (Pluralist Model)	Conflict Perspective (Power Elite Model)
Who exercises power?	Bargaining and compromising interest groups	National political, economic, and military leaders
What is the source of power?	Resources of interest groups	Leadership positions in major institutions
Where is power located?	Spread widely among interest groups	Concentrated in hands of elites
How much influence do nonelites have?	Nonelites have considerable influence on public policy	Nonelites have very little influence on public policy
What is the basis for public policy decisions?	Goals and values are shared by the general public	Preferences of the elites



An **interest group** is a group organized to influence political decision making. Group members share one or more goals. The goals may be specific to the group's own members—as in the case of the National Rifle Association—or may involve a larger segment of society—as in the case of ecology-oriented groups such as the Sierra Club. Figure 13.4 on page 438 lists several current interest groups, sizes, and issues.

- **interest group**
a group organized to influence political decision making

Pluralists contend that decisions are made as a result of competition among special interest groups, each of which has its own stake in the issues. In addition to reaching their own ends, interest groups try to protect themselves from opposing interest groups. Responsibility falls to government leaders to balance the public welfare with the desires of various special interests.

Interest groups are not new to American politics. In the nineteenth century they were active in extending women's rights and promoting the abolition of slavery. The twentieth century saw such active interest groups as the Woman's Christian Temperance Union and early labor unions. The 1960s, with controversies surrounding civil rights, the Vietnam War, the environment, the women's movement, and corporate power, strengthened many interest groups and led to the creation of a number of new ones (Clemens, 1997).

Types of Interest Groups

	Organization	Membership	Objectives
ECONOMIC GROUPS	Business		
	U.S. Chamber of Commerce	3,000,000 businesses	Lobby for businesses
	National Association of Home Builders	220,000 members	Represent the housing and building industry
	Agricultural		
	National Farmers Union	Nearly 250,000 farm and ranch families	Represent family farms and ranches
	American Farm Bureau Federation	Over 5 million members	Lobby for agribusiness and farm owners
	Professional		
	American Medical Association (AMA)	Over 750,000 members	Represent physicians and improve the medical system
	American Bar Association (ABA)	Over 400,000 members	Improve the legal system
	Labor		
AFL–CIO	Over 64 affiliated unions (Over 13 million members)	Protect members from unfair labor practices	
United Mine Workers	130,000 members	Represent mine workers and others	
NON-ECONOMIC GROUPS	Public Interest		
	League of Women Voters (LWV)	About 1,000 local leagues; 130,000 members and supporters	Promote voter registration and election reform
	Common Cause	Nearly 300,000 members	Advocate political reform
	Public Citizen	100,000 members	Focus on consumer issues
	Single-Issue		
	Sierra Club	Over 750,000 members	Protect the natural environment
	National Audubon Society	550,000 members	Conserve and restore natural ecosystems
	Greenpeace USA	250,000 members	Expose global environmental issues
	Ideological		
	Americans for Democratic Action (ADA)	65,000 members	Support liberal social, economic, and foreign policies
Christian Coalition	Over 2,000,000 members	Promote Christian values	
National Organization for Women (NOW)	Over 500,000 members	Eliminate discrimination and protect the rights of women	

Figure 13.4 Types of Interest Groups

The United States government is influenced by a wide variety of interest groups. This figure provides some examples of the most important types. Do you believe that the influence of all these interest groups promotes or hinders democracy? Explain your answers, using conflict theory or functionalism.

New interest groups are born all the time. The environmental lobby is a good example. There were relatively few environmental interest groups before the passage of major environmental legislation (such as the Clean Water Act) in the 1960s. The success of this legislation spawned additional groups, now numbering three times the original total. This added clout produced additional environmental legislation—for example, the 1990 Clean Air Act Amendments—that subsequently led to the creation of other interest groups (Bardes, Schmidt, and Shelley, 2005).

Conflict Perspective: The Power Elite

Sociologist C. Wright Mills was a leading proponent of the elitist perspective. In the 1950s, he claimed that the United States no longer had separate economic, political, and military leaders. Rather, the key people in each area overlapped to form a unified group that he labeled the **power elite**.

According to Mills, members of the power elite share common interests and similar social and economic backgrounds. Elites are educated in select boarding schools, military academies, and Ivy League schools; belong to the Episcopalian and Presbyterian churches; and come from upper-class families. Members of the power elite have known each other for a long time, have mutual acquaintances of long standing, share many values and attitudes, and intermarry. All this makes it easier for them to coordinate their actions to obtain what they want.

- **power elite**
a unified group of military, corporate, and government leaders

Section 2 Assessment

1. What are the major agents of political socialization?
2. How do elitists differ from pluralists in explaining the relationship between racial membership and political power in the U.S.?
3. According to C. Wright Mills, which of the following is not part of the power elite?
 - a. military organizations
 - b. educational leaders
 - c. large corporations
 - d. executive branch of the government

Critical Thinking

4. Analyzing Information On page 435, the author writes: “Members of minorities, people with little education, and people with smaller incomes are less likely to vote in both congressional and presidential elections.” Do you think that pluralists or elitists are more likely to use advertising to change the political attitudes of individuals in these social categories? Explain.

5. Drawing Conclusions

Is America a pluralist society, or is it controlled by a power elite? Support your conclusion with information from this text and other classes.

Economic Systems

Key Terms

- **capitalism** (p. 440)
- **monopolies** (p. 440)
- **oligopolies** (p. 440)
- **socialism** (p. 442)

- **capitalism**
an economic system based on private ownership of property and the pursuit of profit

- **monopolies**
companies that have control over the production or distribution of a product or service
- **oligopolies**
combinations of companies that control the production or distribution of a product or service

Section Preview

Capitalist economies are based on private property and the pursuit of profit, and government, in theory, plays a minor role in regulating industry. In socialist economies, the means of production are owned collectively, and government has an active role in planning and controlling the economy.

Capitalism

Economic systems, as suggested earlier, involve the production and distribution of goods and services. **Capitalism** is an economic system founded on two basic premises: the sanctity of private property and the right of individuals to profit from their labors.

Capitalists believe that individuals, not government, deserve to own and to control land, factories, raw materials, and the tools of production. They argue that private ownership benefits society. Capitalists also believe in unrestricted competition with minimum government interference.

How is capitalism thought to benefit society? According to Adam Smith, an eighteenth-century Scottish social philosopher and founder of economics, a combination of the private ownership of property and the pursuit of profit brings advantages to society. Because of competition, Smith stated, individual capitalists will always be motivated to provide the goods and services desired by the public at prices the public is willing and able to pay. Capitalists who produce inferior goods or who charge too much will soon be out of business because the public will turn to their competitors. The public, Smith reasoned, will benefit through economic competition. Not only will the public receive high-quality goods and services at reasonable prices, but also capitalists will always be searching for new products and new technologies to reduce their costs. As a result, capitalist societies will use resources efficiently.

Actually, no pure capitalist economy exists in the world. In practice, there are important deviations from Smith's ideal model. One of these deviations involves the tendency to form *monopolies* and *oligopolies*.

What are monopolies and oligopolies? When capitalist organizations experience success, they tend to grow until they become giants within their particular industries. In this way, capitalism fosters the rise of **monopolies**, companies that control a particular market, and **oligopolies**, combinations of companies working together to control a market. New organizations find it difficult to enter these markets, where they have little hope of competing on an equal basis. Thus, competition is stifled.

Among other problems, the creation of monopolies and oligopolies permits price fixing. Consumers must choose between buying at the "going price" set by the sellers or not buying at all.

A recent example of alleged monopolistic practices in the U.S. economy involves the Microsoft Corporation. Microsoft manufactures, among other

products, the Windows operating system—by far the most popular operating system for personal computers. Computer manufacturers typically include Windows on the machines they sell. In the 1990s, Microsoft began to insist that manufacturers include its Internet browser, Explorer, on their computers as well. The manufacturers were also instructed not to install another browser in addition to Explorer. If they refused, Microsoft would withhold their license to sell Windows on the machines. Because Microsoft had so much power over computer manufacturers, other makers of Internet browsers, such as Netscape, were essentially excluded from the market (Chandrasekaran, 1999). Eventually, the federal government took Microsoft to court, where it was ruled that Microsoft did indeed engage in monopolistic practices. By 2005, Microsoft had settled its federal case and paid out billions of dollars in antitrust, state, and consumer claims.

The Role of Government in Capitalism

Adam Smith is often misinterpreted as saying that government should have a strictly hands-off approach where the economy is concerned. While Smith strongly opposed overregulation by government, he reserved a place for some regulation. Because one of the legitimate roles of government is to protect its citizens from injustice, Smith knew that the state might have to “step in” to prevent abuses by businesses. In fact, the U.S. government has always been involved in the workings of the economy.

How does the government contribute to the U.S. economy? The Constitution expressly provided a role for the national government in the promotion of a sound economy. Government functions



The enormous success of Bill Gates and Microsoft led to a federal investigation of the software giant's business practices.



The Federal Aviation Administration (FAA) conducts jetliner crash tests as part of the federal government's authority over private business. In what way might cultural values promote such government involvement?

Figure 13.5

Examples of Government Economic and Regulatory Assistance

The government is extensively involved in the U.S. economy.
What would Adam Smith say about this?

Public utilities are often owned and operated by state or local governments.

The agricultural industry feels the influence of government through price controls and embargoes on exports to other countries.

Antitrust legislation exists to control the growth of corporations.

The federal government is heavily involved in the defense industry.

Business could not survive without publicly financed roadways, airports, and waterways.

Publicly funded public schools, colleges, and universities supply business with a skilled workforce and provide basic research for product development.

The U.S. military protects American international business interests.

Government supports business through tax breaks.

Legislation requires labor and business to obey labor laws.

include the regulation of commerce, development of a strong currency, creation of uniform standards for commerce, and the provision of a stable system of credit. In 1789, Congress supported our shipping industry through a tariff on goods imported by foreign ships. Since this initial move into the economy, the federal government has continued to help business, labor, and agriculture. For example, the federal government aids private industry through loan guarantees—as in the 1979 government guarantee (up to \$1.2 billion) to bail out the Chrysler Corporation. Also, U.S. labor is supported by the government through regulations on such matters as minimum wages, maximum working hours, health and safety conditions, and unemployment support. Then there are the small farmers and agribusinesses that receive financial assistance amounting to billions of dollars each year (Patterson, 2004). See Figure 13.5 for additional examples of government economic and regulatory assistance.

● socialism

an economic system founded on the belief that the means of production should be controlled by the people as a whole

Socialism

Socialism is an economic system founded on the belief that the means of production should be controlled by the people as a whole. The state, as the people's representative, should own and control property. Under a socialist system, government directs and controls the economy. The state is expected to ensure all members of society a share in the monetary benefits.

How is socialism thought to benefit society? Socialist theory points to important benefits for workers. Workers under capitalism receive wages below the value their labor produces and have little control over their work. In theory, workers under socialism should profit because both the state and the workplace exist for their benefit. As a result, workers should be able to exert significant control over both their work organizations and the policy directions of the society as a whole.

Does socialism work this perfectly? Cases of pure socialism are as rare as cases of pure capitalism. Strict socialist systems have not been successful in eliminating income inequalities nor have they been able to develop overall economic plans that guarantee sustained economic growth. In the socialistic economy of the former Soviet Union, for example, some agricultural and professional work was performed privately by individuals who worked for a profit. Significant portions of housing were privately owned as well. Managers received salaries that were considerably higher than those received by workers, and managers were eligible for bonuses such as automobiles and housing. Private enterprise existed in Poland under Russian communist rule. Service businesses, such as restaurants and hotels, had a significant degree of private ownership. Hotels, in fact, were typically built and managed by multinational chains. Because Poles could travel abroad, they formed business relationships, learned about capitalist methods, imported goods to fill demand, and brought back hard currency. They then used the hard currency earned abroad to create private businesses (Schnitzer, 2000).

Sweden has a socialist government. What types of market relationships would you expect to find there?



Mixed Economic Systems

As this Shanghai KFC restaurant reflects, elements of capitalism are being introduced into China.



Most nations fall between the extremes of capitalism and socialism and include elements of both economic systems. Countries in Western Europe, for example, have developed capitalist economic systems in which both public and private ownership play important roles. In these nations, highly strategic industries (banks, transportation, communications, and some others) are owned and operated by the state. Other industries are privately owned but are more closely regulated than in the United States (Harris, 1997; Ollman, 1998).

As the former Soviet Union lost control over its republics and Eastern Europe, many of these formerly socialist countries began to move toward capitalism. Czechoslovakia, in several ways, has shifted from public to private ownership of businesses. Private property nationalized after the Russians took over in 1948 has been returned to the original owners or their heirs. These assets moved from the public to the private sector are valued at about \$5 billion. Many small shops and businesses have been sold in public auctions. In 1992, Czechoslovakia sold over 1,000 of its bigger state enterprises to its citizens. During 1992–93 as it broke into the Czech Republic and Slovakia, 25 percent of the nations' assets were privatized. In Hungary, state-owned enterprises have been allowed to become privately owned companies. Over one million Hungarians have been given the right to buy land, businesses, buildings, or other property taken over by the Russians in 1949. Nearly all of the state-owned small businesses are now in the hands of private owners. Agricultural cooperatives have also been privatized (Schnitzer, 2000).

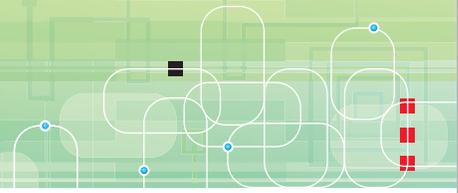
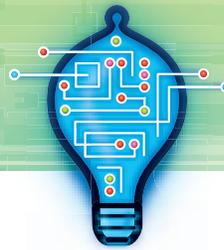
In 1993, Cuba's communist party allowed some degree of capitalism by permitting plumbers, carpenters, and other tradespeople to work for profit. China has been successfully incorporating free market reforms into its economy since the late 1970s (Muldavin, 1999; Hart-Landsberg and Burkett, 2005).

Section 3 Assessment

1. Government policies are usually based on cultural values. Can you identify important differences in the cultural values underlying governmental policies that promote either capitalism or socialism?
2. How successful has socialism been as an economic system? Defend your answer.
3. What is meant by a mixed economic system?

Critical Thinking

4. **Making Comparisons** Briefly compare and contrast the advantages of capitalism and socialism.



Cybernews and Democracy

Reporting the news has been part of the United States since its founding. Indeed, freedom of the press is one of the basic guarantees of the Bill of Rights. During the twentieth century, television displaced newspapers as the primary source of news for most Americans. Now, the Internet is promising to make much greater changes in the way news is gathered and delivered.

Central to the changes is the fact that today anyone with access to the Internet is free to “report” the news. Internet journalist Matt Drudge says that now, “any citizen can be a reporter” (Trigaboff, 1998:55). Drudge portrays the Internet as a democratizing institution eliminating differences between reporters and readers.

Many traditional print journalists, however, worry about the negative effects of instant reporting via the Internet. Sources for stories often go unchecked as some citizen journalists, as they are called, sacrifice accuracy for speed. Reporters on the Internet generally do not have editors reviewing their stories, in-house attorneys worrying about lawsuits, or publishers making judgment calls about the appropriateness of news stories. Joseph C. Goulden, former director of media analysis for Accuracy in Media, a non-profit, grassroots citizens watchdog of the news media, describes the reporting style on the Internet as “Ready, fire, aim” (Rust and Danitz, 1998:23).

In the United States, one of the justifications for the freedom of the press is its role in delivering accurate information to voters. If Internet reporting represents a trend toward greater inaccuracy, this traditional contribution of a free press to American democracy could be weakened. What if voters grew to distrust even more the information they received and thus became increasingly cynical about the political process?

The importance of this question is underscored by the fact that the popularity of citizen journalism is growing. One factor encouraging the rapid increase in new citizen journalism sites is the expected growth of online advertising, currently around 20 to 30 percent a year (Gossett, 2005).

To stay competitive with citizen journalism sites, and to reap the benefits of online advertising dollars, most print news media now operate their own online news sites. Some even invite contributions from citizen journalists. At this time no one can be sure what the future holds for journalism. One thing, though, is certain: citizen journalism will have a significant impact on the way news is reported.

Analyzing the Trends

There is no question that the Internet will affect how democracy is practiced in the U.S. Discuss some ways in which the federal government currently uses the Internet to affect group behavior.

Matt Drudge became the symbol of Internet news reporting in the late 1990s. Is Internet journalism good or bad for democracy?



The Modern Corporation

Key Terms

- corporation (p. 446)
- interlocking directorates (p. 447)
- conglomerates (p. 447)
- multinationals (p. 447)

- **corporation**
an organization owned by shareholders, who have limited liability and limited control

Section Preview

Corporations, especially those with multinational connections, have grown very powerful. Corporate managers affect domestic political decision making and influence the political and economic institutions of countries around the world.

The Nature of Corporations

Sociologists study corporations because of their great importance in modern economic systems. U.S. corporations, for example, not only dominate the American economic system but also influence the economies of nations around the world. Corporations represent massive concentrations of wealth. And because of their economic muscle, corporations such as Microsoft, Verizon, and General Electric command the attention of government decision makers. As a result, government policies regarding such matters as consumer safety, tax laws, and relationships with other nations usually reflect corporate influence.

What are corporations, anyway? A **corporation** is an organization owned by shareholders. These shareholders have limited liability and limited control. Limited liability means they cannot be held financially responsible for actions of the corporation. For example, shareholders are not expected to pay debts the corporation owes. At the same time, they do not have a direct voice in the day-to-day operations of the firm. Shareholders are formally entitled to vote regularly for members of the board of directors. But in practice candidates are routinely approved as recommended by the existing board. The real control of a corporation rests with the board of directors and management.

Corporate Influence

Top corporate officials have tremendous influence on government decisions. This is true for several reasons. Because of their personal wealth and organizational connections, corporate officials are able to reward or punish elected government officials through investment decisions. For example, suppose a town depends on a single large corporation for jobs and other economic advantages. Corporate officials are deciding whether to increase their operation in this town or move some of the facilities to another town, which would endanger local jobs. Town officials are likely to do what they can to make corporate officials happy so that new investment will be made locally.

This agricultural worker is paid by a large corporation rather than a small business/farmer. Which employer would be more secure?



In what other ways do corporations wield power? Such political clout by large corporations is multiplied through **interlocking directorates**. A directorate is another name for the board of directors. Directorates interlock when the heads of corporations sit on one another's boards. Although by law competing corporations may not have interlocking directorates, such directorates are legal for noncompeting corporations. For example, various members of the General Motors board of directors also sit on the boards of many other corporations, including Sony, Sara Lee, and Marriott International. It is not difficult to imagine the political power created by a web of interlocks among already powerful corporations.

The political power of corporations is also enhanced through **conglomerates**—networks of unrelated businesses operating under a single corporate umbrella. RJR Nabisco, Inc., for example, holds companies in such different areas as tobacco, pet foods, candy, cigarettes, food products, bubble gum, research, and technology. A listing of the company's North American subsidiaries covers nearly an entire page in *Who Owns Whom* (2004).

- **interlocking directorates**
directorates that result when heads of corporations sit on one another's boards

- **conglomerates**
networks of unrelated businesses operating under one corporate umbrella

Multinational Corporations

The political influence of corporations is not confined to their countries of origin. The world is increasingly being influenced by **multinationals**—firms based in highly industrialized societies with operating facilities throughout the world. Improvements in communication and transportation technology have allowed these companies to exert wide control over their global operations.

- **multinationals**
firms based in highly industrialized societies with operating facilities throughout the world

How powerful are multinational corporations? Suppose we combined all the political and economic units in the world and then chose the hundred largest units. Of these hundred units, fifty-one would be multinational corporations rather than countries. Several corporations based in the United States—ExxonMobil, IBM, General Motors, Ford Motor Company, AT&T, Wal-Mart Stores, and General Electric—have sales volumes exceeding the annual economic output of some industrialized nations. Figure 13.6 compares some multinational corporations with selected nations.

What are the effects of multinational corporations? Defenders of multinationals argue that the corporations provide developing countries with technology, capital, foreign markets, and products that would otherwise be unavailable to them. Critics claim that multinationals actually harm the economies of the foreign nations in which they locate by exploiting natural resources, disrupting local economies, introducing inappropriate technologies and products, and increasing the amount of income inequality. Multinationals, these critics note, rely on inexpensive labor or abundant raw materials in developing nations while returning their profits to

Wal-Mart Stores, Inc. \$258.7 Billion	vs.	Bangladesh \$258.8 Billion
Home Depot \$64.8 Billion	vs.	Syria \$58.0 Billion
IBM International Business Machines Corp. \$89.1 Billion	vs.	New Zealand \$85.3 Billion
Exxon Mobil \$213.2 Billion	vs.	Greece \$212.2 Billion
Bank of America \$48.1 Billion	vs.	Ethiopia \$48.5 Billion
General Electric Company \$134.2 Billion	vs.	Israel \$120.6 Billion

Figure 13.6 Total Revenue of Multinational Corporations versus National Gross Domestic Products

This table compares the revenue of selected multinational corporations to the gross domestic product (value of all goods produced and consumed domestically) of some countries in 2003. Were you surprised by any of the information?

Source: *The World Almanac and Book of Facts, 2005.*

Sociology Today

Employee Rights

The Supreme Court of the United States has historically granted employers a great deal of power over their employees. In 1878, a New York company posted a list of rules that told employees, among other things, "On the Sabbath, everyone is expected to be in the Lord's House" and "All employees are expected to be in bed by 10:00 P.M." At the turn of the nineteenth century, Henry Ford's automobile workers were carefully watched by management for signs of bad character. Many Ford Motor Company employees lost their jobs for smoking, drinking, or criticizing the firm.

Even today, some employee rights are curtailed at work. The Constitution, for example, protects free speech for all citizens. Employees, however, can be prevented from printing and distributing a critical newsletter to customers of their companies. Of recent concern is the right of employees to track workers' movements on the Internet and to read personal e-mails.

Today, a growing employee rights movement is pushing for greater political and legal protection on the job. Here is a partial list of the rights that many workers feel should be theirs today.

- the right to a job
- the right to protection from arbitrary or sudden termination
- the right to privacy of possessions and person in the workplace, including freedom from arbitrary searches, use of polygraphs, surreptitious surveillance, and intrusive psychological or medical testing
- the right to a clean, healthy, and safe environment on the job, including freedom from undue stress, sexual harassment, cigarette smoke, and exposure to toxic substances
- the right to be informed of records and information kept and to have access to personnel files
- the right to freedom of action, association, and lifestyle when off duty
- the right to freedom of conscience and to inform government or media about illegal or socially harmful corporate actions
- the right to due process for grievances against the employer

Many of these rights already exist; others need to be discussed with employers. There is one thing most employees and employers agree on, however. If employees take a balanced approach to pursuing their rights on the job, both individuals and organizations will benefit.

Doing Sociology

1. Some observers believe that violations of employee rights contradict the rational-legal basis of organizational authority. Do you agree?
2. Discuss the above list of rights with some adult workers. Ask them if they know whether or not these rights exist in their workplaces. Are there any rights not on the list that they believe should be added?



Some multinational corporations are so successful that their products are widely (and illegally) copied around the world. Here, a faked Nike athletic shoe is readied for sale in Shanghai, China.

corporate headquarters and shareholders in rich nations. Multinationals' domination of their industries has made it difficult for the economically developing nations to establish new companies that can compete with the multinationals. As a result, multinationals may slow rather than promote economic development in these nations.

Section 4 Assessment

1. Discuss limited liability and limited control in relation to the modern corporation.
2. Describe the influence of the corporation in the world today. Identify some of the benefits and negative consequences for society.

Critical Thinking

3. **Drawing Conclusions** Would you rather work for a large, multinational corporation or for yourself as an independent businessperson? Explain your choice.

Work in the Modern Economy

Key Terms

- **primary sector** (p. 450)
- **secondary sector** (p. 450)
- **tertiary sector** (p. 450)
- **occupations** (p. 454)
- **core tier** (p. 454)
- **peripheral tier** (p. 454)
- **downsizing** (p. 455)
- **contingent employment** (p. 455)

- **primary sector**
that part of the economy producing goods from the natural environment
- **secondary sector**
that part of the economy engaged in manufacturing goods
- **tertiary sector**
that part of the economy providing services

To which sector of the economy does this California logger belong?

Section Preview

Workers today face a changing job structure. More corporations are downsizing and replacing full-time employees with consultants or temporary workers. Evidence indicates that this trend is having some negative consequences.

The Changing Nature of Work

To understand work in modern society you need to be familiar with the three basic economic sectors. They are the *primary*, *secondary*, and *tertiary* sectors.

How do the economic sectors differ? The **primary sector** of an economy depends on the natural environment to produce economic goods. The types of jobs in this sector vary widely—farmer, miner, fisherman, timber worker, rancher. In the **secondary sector**, manufactured products are made from raw materials. Occupations in this sector include factory workers of all types, from those who produce computers to those who turn out baseball cards. Those in the secondary sector are popularly known as blue-collar workers. Employees in the **tertiary sector** provide services. If today you went to school, filled your car with gas, stopped by the bank, and visited your doctor, you spent most of your time and someone's money in the tertiary (service) sector. Other service industries include insurance, real estate, retail sales, and entertainment. More and more people in these industries are white-collar workers.



Occupational category	Percent of total	Percent male	Percent female
Management, professional, and related occupations	34.9	49.7	50.3
Service occupations	16.3	43.2	56.8
Sales and office occupations	25.4	36.1	63.9
Natural resources, construction, and maintenance occupations	10.5	95.6	4.4
Production, transportation, and material moving occupations	12.9	77.0	23.0

Figure 13.7 Distribution of Workers by Occupational Category

This table shows the percentage of American workers who are employed in each occupational category. It also shows how each occupational category is broken down by gender.

Source: U.S. Department of Labor, Bureau of Labor Statistics, 2004.

Blue-collar workers, such as the longshore workers pictured here, may be an endangered species.

How have the three sectors changed historically?

Obviously, the primary sector dominated the preindustrial economy. At that stage of economic development, physical goods were made by hand. This balance began to change with the mechanization of farming in the agricultural economy. Mechanical inventions (cotton gin, plow, tractor), along with the application of new scientific methods (seed production, fertilization, and crop rotation), drastically increased production. During the 1800s, the average farmer could feed five workers or so. Today, the figure is 130. At the same time production increased, labor demands decreased. Primary sector workers have declined from almost 40 percent of the labor pool in 1900 to about 2 percent today.

With other technological advancements in industry (power looms, motors of all types, electrical power) came the shift of agricultural workers from farms to factories, ushering in the secondary sector. By 1990, the percentage of the U.S. labor force engaged in blue-collar jobs reached almost 40 percent.

Just as in agriculture, technological developments permitted greater production with fewer workers. Since World War II, the fastest-growing occupations in the secondary sector have been white-collar—managers, professionals, sales workers, clerical workers. In 1956, white-collar workers for the first time accounted for a larger proportion of the U.S. labor force than blue-collar workers.

Technological progress did not end with the secondary sector. As relative growth in the proportion of workers in goods-producing jobs was decreasing, the demand for labor in the tertiary sector was increasing. Fueled by computer technology, the United States economy moved from a manufacturing base to a knowledge, or information, base. The current demand is for people who can manage information and deliver services. As shown in Figure 13.7, nearly 77 percent of Americans now work in management, professional, service, sales, and office occupations. The ever-increasing number of women employed outside the home also has influenced the American workplace.



Focus on Research



Case Study: The End of the Line

Because she grew up near Chrysler's auto plant in Kenosha, Wisconsin, researcher Kathryn Marie Dudley had a special interest in studying the cultural fallout from the plant's closing in 1988. Dudley's research is a case study of a large plant in a one-industry community experiencing relocations, downsizings, and job eliminations. She offers Kenosha as a typical example of the effect of changing work patterns on midsize towns. As indicated in the excerpt below, the plant changes over the past few decades are seen as part of the shift from an industrial to a postindustrial society:

What was once a fundamental segment of the American economic structure—heavy industry and durable goods manufacturing—has now become a marginal part of the national portfolio. As this sector of the economy gives way to the new “knowledge industries,” workers in this sector are being superseded as well. In America’s new image of itself as a postindustrial society, individuals still employed in basic manufacturing industries look like global benchwarmers in the competitive markets of the modern world (Dudley, 1994:161).

When the auto plant was finally shut down, Dudley did in-depth follow-up interviews with autoworkers and with a wide variety of professionals in the Kenosha area. Interview questions were open-ended to give informants freedom to roam where their thoughts and feelings took them. Dudley's only restriction was that the interviews be geared to the cultural meaning of what was happening to the community because of its declining employment base.

For Dudley, the demolition of the auto plant was a metaphor for the dismantling of the way of life created since the early 1950s among U.S. blue-collar workers in core manufacturing industries. These increasingly displaced blue-collar workers, contends Dudley, find themselves caught between two interpretations of success in America. On the one hand, middle-class professionals justify their place in society by reference to their educational credentials and “thinking” jobs. Blue-collar workers, on the other hand, legitimize their place in society on the basis of the high market value society has traditionally placed on their hard labor. One ex-auto worker, whom Dudley calls Al Tirpak, captured the idea beautifully:

We’re worth fifteen dollars an hour because we’re producing a product that can be sold on the market that’ll produce that fifteen dollars an hour. . . . I don’t know if you want to [base a person’s value] strictly on education. You can send someone to school for twelve years and they can still be doing something that’s socially undesirable and not very worthwhile for society. I don’t know if they should get paid just because they had an education. In my mind, yuppie means young



The shift from an industrial to a postindustrial economy will necessarily result in plant shutdowns and layoffs.

unproductive parasite. *We're gonna have an awful lot of yuppies here in Kenosha that say they are doing something worthwhile when, really, they aren't* (Dudley, 1994:169).

Due to the massive loss of high-paying factory jobs, Dudley contends that the blue-collar vision of success is coming to "the end of the line." These workers have lost their cultural niche to a postindustrial world where work is based on education and the application of knowledge.

Dudley documents the blue-collar workers' view of this new reality. From her extensive interviews, she constructs a portrait of their struggle to preserve their cultural traditions in a world in which the type of employment on which these traditions were built is decreasing. The penalty for not creating new cultural supports for a sense of social worth, Dudley concludes, will be life in a state of confusion with a sense of failure.

Working with the Research

1. What is the focus of Dudley's research?
2. What does Dudley's conclusion mean for blue-collar workers in terms of their way of life?
3. Do you think Dudley's research methods are strong enough to support her conclusion?
4. Do you believe that Dudley can be objective in this study of her hometown? Explain your answer.



To what tier of America's occupational structure do these California aircraft workers belong?

- **occupations**
categories of jobs that involve similar activities at different work locations
- **core tier**
an occupational structure composed of large firms dominating their industries
- **peripheral tier**
an occupational structure composed of smaller, less profitable firms

Occupational Structure

Occupations are categories of jobs that involve similar activities at different work locations. For example, teacher, dental assistant, film producer, and electrician are all occupations because each position requires similar training and involves some standard operations. The United States Department of Labor has identified over 820 occupations with hundreds more specialties within the broader occupation categories.

What is the shape of the U.S. occupational structure? A two-tier occupational structure has developed in the U.S. One tier—the **core tier**—includes jobs with large firms holding dominant positions within their industries.

Computer technology, pharmaceutical, and aerospace firms are prime examples. About 35 percent of U.S. workers are in the core. The other level—the **peripheral tier**—is composed of jobs in smaller firms that either are competing for business left over from core firms or are engaged in less profitable industries such as agriculture, textiles, and small-scale retail trade. Most U.S. workers—around 65 percent—are employed in the peripheral tier.

What is the nature of core and peripheral jobs? Historically, jobs in the core paid more, offered better benefits, and provided longer-term employment. This is not surprising since the firms involved are large and highly profitable. Peripheral jobs are characterized by low pay, little or no benefits, and short-term employment. These features follow from the weaker competitive position and the smaller size of the employing firms.

How are the core and peripheral tiers changing? The industries that have supplied most of the core jobs in the U.S. have been scaling back during the last 20 years, laying off experienced workers and not hiring new ones. As early as 1983, for example, a steel mill in Hibbing, Minnesota, that once employed 4,400 people had a payroll of only 650 (“Left Out,” 1983). Since 1983, the Weirton Steele Company continued to cut its production capacity by another 30 percent and has laid off more than half of its workforce (Riederer, 1999). In fact, more than 3.2 million jobs in the United States have been eliminated just since 2000 (Birnbaum, 2003). According to one survey, between 2000 and 2003, nearly one out of five workers reported being laid off from a full-time or part-time job (Dixon and Van Horn, 2003). Approximately three-fourths of the jobs lost during this time period were in manufacturing.

The good economic news, fueled by microchip technology, is that the U.S. economy continues its healthy growth and unemployment remains low. The bad economic news is that the new jobs are not as good as the manufacturing jobs they are replacing (Schmitt, 2005). The newer industries provide few jobs suited to the skills and backgrounds of laid-off manufacturing workers. Moreover, most jobs in high-tech industries pay minimal wages and offer few chances for promotion. Responsible positions with high pay are held by a very small proportion of high-tech employees.

Thus, reemployment of laid-off workers is a significant problem, particularly for workers laid off from manufacturing jobs. According to the Center for Economic and Policy Research, approximately 33 percent of the manufacturing workers who lost their jobs between 2001 and 2003 still had not returned to work by the start of 2004. Moreover, nearly three-fourths of the workers who had found jobs by 2004 took pay cuts (Schmitt, 2004).

What difference does this make to U.S. workers? As has probably already crossed your mind, this trend makes a huge difference. The U.S. economy has been losing higher-paying jobs and gaining lower-paying jobs. This helps explain why, since the 1970s, the majority of workers have been losing economic ground. While thirty years ago one American worker alone could support a family, the dual-employed married couple has become the norm today.

This process, known as *downwaging*, is expected to continue in the twenty-first century. Of the top ten job categories projected to grow between 2002 and 2012, five pay below the poverty level for a family of four. Only two of the top ten shrinking job categories fall below the poverty threshold (U.S. Bureau of the Census, 2005). Many sociologists believe that the job loss and downwaging trends threaten the American dream (Newman, 1993; Barlett and Steel, 1996; Dixon and Van Horn, 2003).

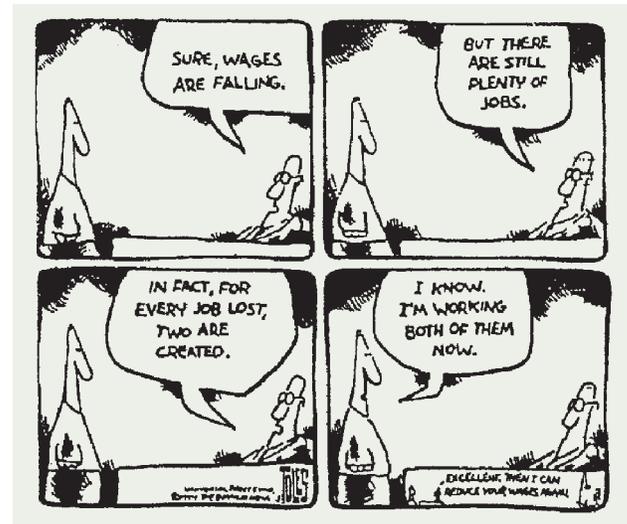
Downsizing and Contingent Employment

Clearly, the occupational structure in the United States has changed dramatically over the last few decades. *Downsizing* and *contingent employment*, two strategies used by top management, reduce employment in core industries. A discussion of these related practices will help explain why the U.S. occupational structure is changing.

Downsizing is the process by which companies reduce the size of their full-time workforces. **Contingent employment** involves hiring people on a part-time or short-term basis. Although corporate downsizing had been going on since the late 1970s, it accelerated during the 1980s and 1990s. Since 1985, an estimated four million people have lost their jobs to downsizing alone. This trend is expected to continue (Sloan, 1996; Belton, 1999).

Why are downsizing and contingent employment taking place on such a large scale? Part of the motivation for downsizing is based on top management's belief that their companies employ a surplus of people and that, thanks to computers and other labor-saving technology, work can be done by fewer employees without reductions in efficiency and effectiveness. Top management also points to lower profits caused by increasing foreign competition. And it is true that about 20 percent of all U.S. workers are directly exposed to foreign competition (McNamee and Muller, 1998). Companies have responded to increased foreign competition by moving operations overseas and by replacing full-time employees with part-time workers hired to do a limited amount of work for a specified time period.

- **downsizing**
the process by which companies reduce their workforces
- **contingent employment**
the hiring of part-time, short-term workers

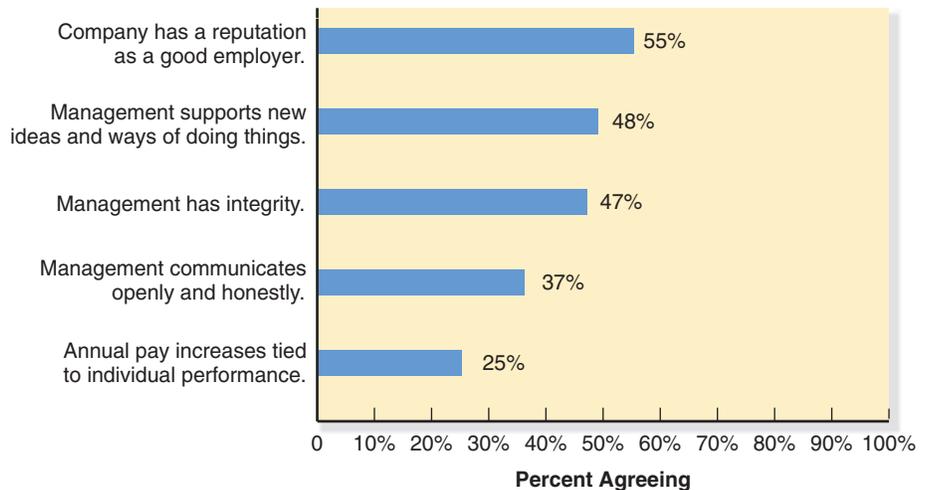


Corporate downsizing is associated with lower pay.

Figure 13.8 Evidence of Declining Trust in Management

According to this graph, employee trust in management is relatively low. Are any of these factors affecting trust more important to you than others?

Source: *The 2003 Towers Perrin Talent Report* (Boston, MA), 2003.w



This unhappy worker has been caught in a corporate downsizing. What negative effects is this experience likely to have on him?

Contingent employment is a cost-cutting device. Unlike full-time employees, contingent workers receive lower pay and are not entitled to expensive benefits such as vacation time, health insurance, and retirement benefits.

Does downsizing and contingent employment have a downside? According to Robert Reich, former secretary of the U.S. Department of Labor, downsizing and contingent employment will create greater polarization between those who control capital and those who do not. Some critics believe the “disposable” workforce is the most important trend in business today. They contend that it is fundamentally changing the relationship between Americans and their employers.

A survey of more than 35,000 employees across the United States confirms that employees’ attitudes toward their employers are not entirely favorable. Although employees express high job satisfaction, their trust in management appears to be eroding. Workers seem to be losing some faith in management’s commitment to them. (See Figure 13.8.) Trust and loyalty are difficult to maintain when employees do not believe company policies treat them fairly. As time passes, additional research will help to focus attention on the full effects of corporate downsizing and contingent employment.

Section 5 Assessment

1. Why have white-collar jobs increased faster than jobs in other sectors of the workforce since the 1930s?
2. What are some immediate benefits of downsizing? Some long-term drawbacks?

Critical Thinking

3. **Drawing Conclusions** Would you like to spend your work life as a contingent employee? Why or why not?

Summary

Section 1: Power and Authority

Main Idea: Political systems can be based on charismatic, traditional, or rational-legal authority. Democratic, totalitarian, and authoritarian are types of political systems.

Section 2: Political Power in American Society

Main Idea: The two major models of political power are elitism and pluralism. The conflict and functionalist theorists have different views of who exercises political power in the United States.

Section 3: Economic Systems

Main Idea: Capitalist and socialist economies differ in terms of the degree of private ownership and in the extent of the government's role in the economy.

Section 4: The Modern Corporation

Main Idea: Corporations, especially those with multinational connections, have grown very powerful, influencing domestic political decisions and the political and economic institutions of countries around the world.

Section 5: Work in the Modern Economy

Main Idea: Workers today face a changing economy, with companies relying more heavily on temporary workers and on foreign labor.



Self-Check Quiz

Visit the *Sociology and You* Web site at glencoe.com and click on [Chapter 13—Self-Check Quizzes](#) to prepare for the chapter test.

Reviewing Vocabulary

Complete each sentence using each term once.

- | | |
|--------------------------|-----------------------------|
| a. charismatic authority | g. elitism |
| b. monopoly | h. primary sector |
| c. downsizing | i. interest group |
| d. traditional authority | j. corporation |
| e. power elite | k. rational-legal authority |
| f. pluralism | l. power |

- The ability to control the behavior of others is called _____.
- _____ is the authority that arises from the personality of an individual.
- The form of authority in which the power of government officials is based on their offices is called _____.
- _____ is the form of authority in which the legitimacy of a leader is rooted in custom.
- A group organized to influence political decision making is called _____.
- _____ is a system in which a community or society is controlled from the top by a few individuals or organizations.
- The process in which political decisions are made as a result of competition and compromise among special interest groups is called _____.
- A coalition of top military, corporate, and government leaders is called the _____.
- _____ is an organization owned by shareholders who have limited liability and limited control.
- The reduction of a corporation's workforce is called _____.
- A company that has control over the production or distribution of a product or service is called a _____.

Reviewing the Facts

12. How did Max Weber define power?
13. What is elitism? Give an example.
14. What is socialism? Give an example.
15. The economic system of most nations most closely follows which system?
16. What is downsizing? In general, what can be said about the relationship between the disadvantages of downsizing and the advantages of downsizing?

Thinking Critically

17. Making Inferences

Charismatic leaders such as Adolf Hitler and Branch Davidian cult leader David Koresh show us that the ability to exert control over people has little to do with issues of right and wrong. Why do people embrace men like Hitler or Koresh? What kind of training or education is essential in a democracy to counter the effects of dangerous yet charismatic leaders?

18. Drawing Conclusions

The topic of enforced population control (see Another Place, page 432) is an intriguing one for many Americans. Only ten percent of American families in 2000 had more than two children. Does government ever have a right to legislate how many children couples are allowed to have? Should Americans be encouraged to have only two children for social reasons? Under what circumstances, if any, would government have a legitimate say in the size of families?

19. Analyzing Information

According to conflict theorists, the power elite control many aspects of politics and society at large. A recent book examined the diversity of the power elite—how many women and minorities are in its membership. Discuss the extent to which you think women and minorities are represented in the power elite.



Copyright 2005 J.D. Crowe/Cagle Cartoons

20. Analyzing Visuals

The cartoon above was first published in December 2005. Many cartoons are like this one, that is, they use one dramatic image and have no caption. What effect does this have on the viewer and how well do you think this works? Can you think of a way to alter the cartoon's subject or message by simply changing the label on the hand?

21. Evaluating Information

Many individuals in the history of the United States have been able to influence the political process because of their personal wealth. Examples include Andrew Carnegie, John D. Rockefeller, and—more recently—Microsoft founder Bill Gates. Capitalism encourages the accumulation of wealth. Do you think the government should put limits on how much wealth any one individual or organization can control? Why or why not?

Sociology Projects

22. Political Influence

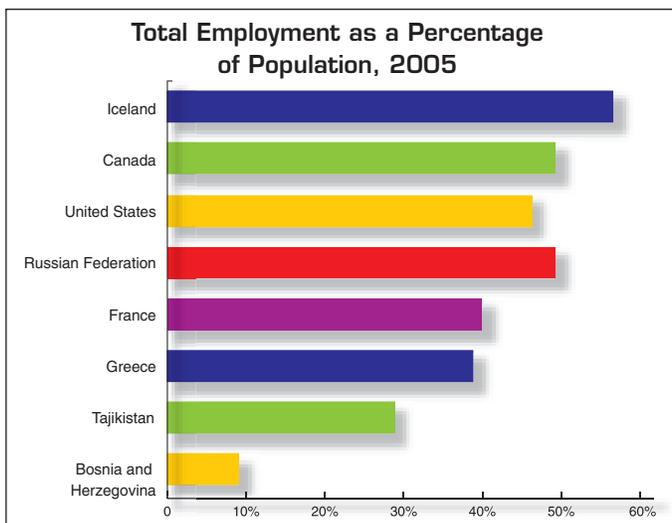
As an extension of question #21, instead of putting limits on how much wealth any one individual or organization could accumulate, consider the options that the government might use to limit the political influence of the wealthy. Write a brief essay listing and describing those options.

23. Employee Rights

Review the list of employee rights in the Sociology Today feature on page 448. If you have a job, try to find out which of these rights your current employer recognizes. You might ask your manager if your company has a brochure that lists employee rights. If you don't have a job, discuss this activity with a friend who is working.

24. Qualitative Analysis

Study the bar graph below, which reports the percentage of population employed for selected countries. For your project, draw up a list of hypotheses that could explain the differences you see, including the types of sources you might consult to carry out the research project.



Source: United Nations, *The Statistical Yearbook of the Economic Commission for Europe 2003*

25. Political Beliefs

On a sheet of paper, write down your own political party affiliation and your parents' political party affiliations. Next, write down your views on some key issues that you feel strongly about, such as immigration or minority rights. Write down your parents' views on these topics. Do you and your parents share the same political beliefs? You might also want to try comparing your views with a friend's. Are your views and your friend's views similar? If so, do you think that this might explain why you are friends? Do you think that people tend to associate more with those who share similar political beliefs?

Technology Activity

26. One of the topics of debate about corporations in America is whether they have any responsibilities beyond making a profit for their shareholders. Some people say that corporations have a "social responsibility" to make their communities better places. Two companies that act on their social responsibilities are Ben & Jerry's and The Body Shop. Go to their web sites at www.benjerry.com/ and www.thebodyshop.ca/.

- Find their mission statements and read them. What do these companies believe about social responsibility?
- What specific actions do they take to make their communities better places?

Enrichment Reading



No Shame in My Game

by Katherine S. Newman

Katherine Newman has created a rich portrait of minimum-wage workers employed in four fast-food restaurants in central Harlem. These are the “working poor”—they hold jobs and pay taxes, but they do not earn enough money to buy the basic necessities of life. In the passage below, Newman argues that the working poor share the same basic values as the rest of American society. The shame referred to in the reading lies in society’s view that employment in fast-food jobs is somehow degrading.

Swallowing ridicule would be a hardship for almost anyone in this culture, but it is particularly hard on minority youth in the inner city. They have already logged four or five years’ worth of interracial and cross-class friction by the time they get behind a [Burger Barn] cash register. More likely than not, they have also learned from peers that self-respecting people don’t allow themselves to be “dissed” without striking back. Yet this is precisely what they must do if they are going to survive in the workplace.

This is one of the main reasons why these [fast-food] jobs carry such a powerful stigma in American popular culture: they fly in the face of a national attraction to autonomy, independence, and the individual’s “right” to respond in kind when dignity is threatened. In ghetto communities, this stigma is even more powerful because—ironically—it is in these **enclaves** that this mainstream value of independence is most vigorously elaborated and **embellished**. Film characters, rap stars, and local idols base their claim to notoriety on standing above the crowd, going their own way, being free of the ties that bind ordinary mortals. There are white parallels, to be sure, but this is a powerful **genre of icons** in the black community, not because it is a disconnected subculture but because it is an intensified version of a perfectly recognizable American middle-class and working-class fixation.

It is therefore noteworthy that thousands upon thousands of minority teens, young adults, and even middle-aged adults line up for jobs that will subject them, at least potentially, to a kind of character assassination. They do so not because they start the job-seeking process with a different set of values, one that can withstand society’s contempt for fast-food workers. They take these jobs because in so many inner-city communities, there is nothing better in the offing. In general, they have already tried to get better jobs and have failed, landing at the door of Burger Barn as a last resort. . . .

The stigma also stems from the low social status of the people who hold these jobs: minorities, teenagers, immigrants who often speak halting English, those with little education, and (increasingly in affluent communities afflicted with labor shortages) the elderly. To the extent that the prestige of a job refracts the social characteristic of its average **incumbents**, fast-food jobs are hobbled by the perception that people with better

- **enclave**
a territory or cultural unit within a foreign territory
- **embellish**
to add to; to make more attractive
- **genre of icons**
category or type of symbols

- **incumbent**
occupant, job holder

choices would never purposely opt for a “McJob.” . . . There is no quicker way to indicate that a person is barely deserving of notice than to point out he or she holds a “chump change” job at Kentucky Fried Chicken or Burger King. . . .

Ghetto youth are particularly sensitive to the status degradation entailed in stigmatized employment. As Elijah Anderson . . . and others have pointed out, a high premium is placed on independence, autonomy, and respect among minority youth in inner-city communities—particularly by young men. No small amount of mayhem is committed every year in the name of injured pride. Hence jobs that routinely demand **displays of deference** force those who hold them to violate “macho” behavior codes that are central to the definition of teen culture. There are, therefore, considerable social risks involved in seeking a fast-food job in the first place, one that the employees and job-seekers are keenly aware of from the very beginning of their search for employment.

It is hard to know the extent to which this stigma discourages young people in places like central Harlem from knocking on the door of a fast-food restaurant. It is clear that the other choices aren’t much better and that necessity drives thousands, if not millions, of teens and older job-seekers to ignore the stigma or learn to live with it. But no one enters the central Harlem job market without having to face this **gauntlet**.

Source: Excerpted from Katherine S. Newman, *No Shame in My Game*, New York: Alfred A. Knopf, 1999, pp. 93, 95.

- **display of deference**
acting in a humble or compliant way

- **gauntlet**
ordeal or challenge

Read and React

1. Who are the “working poor”? Give some examples of the types of jobs the working poor would hold.
2. According to Newman, the working poor share the same values as the rest of American society. Discuss the evidence she gives for this. Is she convincing?
3. Why did Newman select *No Shame in My Game* for her book title?
4. Do you think a stigma is attached to being a fast-food worker? Explain.
5. What do you think Newman means by “status degradation” in the context of her research?

