After the ownership society: Another world is possible[•]

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Abstract

The economic crisis that began in 2008 represents the end of two experiments in social organization in the United States: the corporate-centered society, in which corporate employers were the predominant providers of health care and retirement security, and the "ownership society," which aimed to vest the economic security of individuals directly in the financial markets. The first experiment lasted for most of the 20th century, while the second hardly got off the ground before imploding. The result is that economic and health security and social mobility in the US have become increasingly unmoored. Organizational sociologists can contribute to a constructive solution by facilitating, documenting, and disseminating locally-based experiments in post-corporate social organization.

The economic downturn that began in 2008 is completing the job that the mania for shareholder value started, namely, paring the corporation back to its minimalist core. Firms in industry after industry have disappeared, while many of those that remain have cut back on long-established commitments to their members. The investment banking industry lost three of its five biggest firms, and dozens of commercial banks have failed or been forced into mergers. Countless retailers have fallen into liquidation, while the defense and health care sectors stand on the brink of substantial reorganization. Two of the Big Three US automakers declared bankruptcy, along with dozens of their largest suppliers. Those that looked to these firms for their health insurance and retirement security have discovered that their faith in "Generous Motors" was misplaced.

The abrupt re-structuring of the US economy represents the end of two American experiments in social organization: the corporate-centered society and the "Ownership Society." The corporate-centered society was dominant for most of the 20th century, as large corporate employers took on the core social welfare functions -- health insurance, wage stability, retirement pensions -- that were the responsibility of states in most other industrial societies. The inherent tensions in this system became evident as the industrial heartland turned into the rust belt and the bill came due for all those retirees. The Ownership Society was George Bush's short-lived blueprint to replace the faltering corporate-sponsored social welfare system with one organized around financial markets. Through individual retirement accounts and health savings accounts invested in the stock market, and broadened home ownership enabled by mortgage securitization, the ownership society aimed to vest individual economic security in the financial markets. Markets would replace corporations and states as the source of social security. It is perhaps not premature to label this experiment in default.

We are now at a turning point where what comes next is up for grabs. The corporate-centered society will not be coming back, and after the stock market's worst single-decade performance in US history, there is little popular sentiment for tying the fates of households more tightly to financial markets. It is possible that organizational and economic sociology have something useful to say at this juncture. In this paper, I describe the decline in the corporate-centered society and its implications for economic security and mobility in the US. I then analyze the origins and brief career of the ownership society. I close with a discussion of some possible alternative futures in which organizational sociology might play a productive role.

The end of the society of organizations

Organization theorists have long been enchanted with the idea that we live in a "society of organizations" in which essential social processes--education and health care; stratification, mobility, and class formation; the consolidation and use of political power; segregation and integration; economic development and decline--take place primarily in and through organizations. Peter Drucker, informed by his experience studying General Motors under Alfred Sloan, claimed in 1949 that "The big enterprise is the true symbol of our social order…In the industrial enterprise the structure which actually underlies all our society can be seen." GM was a synecdoche for industrial society. Forty years later, Chick Perrow claimed that large organizations had *absorbed* society: "By 'large organizations absorbing society' I mean that activities that once were performed by relatively autonomous and usually small informal groups (e.g. family, neighborhood) and small autonomous organizations (small businesses, local government, local church) are now performed by large bureaucracies... As a result, the organization that employs many people can shape their lives in many ways, most of which are quite unobtrusive and subtle, and alternative sources of shaping in the community decline"

(1991: 726). The large corporation was the characteristic economic unit in the US, with an enveloping effect on its members. Thus, understanding the corporation as an organization was both necessary and sufficient for understanding American society.

But the large corporation is no longer the characteristic economic unit in the US. This is seen most readily in the employment figures. In 1950, the ten largest employers in the US employed 5% of the non-farm labor force. (These were AT&T, GM, US Steel, Ford, GE, Sears, Bethlehem Steel, Chrysler, Exxon, and Westinghouse.) In 2008, the ten largest employers accounted for less than 2.8% of the non-farm labor force. In contrast to 1950, when eight of the top ten were manufacturers, today all are in services, and seven are in retail. In terms of wages, benefits, and turnover, large manufacturers were historically among the most stable and lucrative long-term employers, while retailers were among the most transient and low paid. With turnover averaging 40% per year, employees averaging 34 paid hours per week, and median wages under $11 per hour, Wal-Mart -- America's largest employer by far -- provides a rather less enveloping model of employment than GM. Meanwhile, the manufacturing sector discarded one-third of its jobs during the first decade of the new century.

It is not just employees that turn over at a higher rate now, but the corporations themselves. For over a century the Dow Jones industrial index provided a stable indicator of the health of the economy by tracking its most prominent firms. 16 of the 30 firms in the index in 1987 had been there since the onset of the Great Depression. After two decades of "shareholder value," however, only three of them are left (Chevron, Exxon, and GE). Recent exits from the index include AIG, Citigroup, and GM (respectively America's largest insurer, bank, and manufacturer)--all currently wards of the state.

Today, the re-configurable supply chain dominates in manufacturing and service. Meyer and Rowan (1977: 345) wrote that thanks to pervasive rationalization, “[T]he building blocks for organizations come to be littered around the societal landscape; it takes only a little entrepreneurial energy to assemble them into a structure.” In the 30 years since they wrote this, it has become an ever more accurate description. Conglomerates were busted up into their component companies during the 1980s, and in the 1990s, firms increasingly outsourced elements of the business available off the shelf, from design and branding to production and distribution (Davis, Diekmann, and Tinsley, 1994). Manufacturers aimed to emulate the Nike model, where high-concept brand management was separated from producing and selling physical goods. The articulation of a sector of generic electronics manufacturers such as Solectron and Ingram Micro meant that products like PCs and cellphones were rarely made by the company named on the label, and this basic idea spread from sneakers to electronics to pet food to pharmaceuticals. (This is known as the “OEM model” for “original equipment manufacturer.”)

With the components of organizations readily available on the market, creating an enterprise can look a lot like snapping together Legos. Vizio became the largest-selling brand of LCD televisions in the US when its founder, a Taiwanese entrepreneur in Irvine, California, negotiated a distribution contract with retailer Costco and an assembly agreement with one of his old friends in Taiwan to make TVs from the same generic parts used by Sony, Samsung, and other well-known brands. With only six employees initially and little need for physical facilities, Vizio rapidly achieved a 22% US market share by undercutting the major brands on price (see “U.S. Upstart Takes On TV Giants in Price War” at http://online.wsj.com/public/article/SB120820684382013977.html?mod=blog). For a fee, one can also add a recognized brand name to such products, drawing from the scrapyard of obsolete businesses. Familiar names like "Westinghouse" and "Memorex" grace goods bearing no relation to the original companies. Similarly, when retailers Circuit City and Linens 'n Things were liquidated during the downturn, their names were quickly auctioned off to bidders who, like hermit crabs, created online enterprises to inhabit their discarded shells. Even CIA assassinations, armed security for diplomats, and interrogations of enemy prisoners have been handed off to contractors (Scahill, 2007).

The society of organizations imagined by Perrow and others has largely disappeared in the US (see Davis, 2009 for an extended play version of this argument). It is as if the sea of life had been disassembled back into the primordial soup. I next describe the implications of this shift for economic security and mobility.

Economic security now

When it comes to the provision of social welfare, the United States is like the Galapagos Islands, having evolved a highly idiosyncratic ecosystem of institutions unlike anywhere else. Broadly speaking, families (in agrarian societies) or states (in industrial societies) look after the well-being of their members. In US, however, the corporation became the dominant provider of social welfare functions. Berle and Means opened their 1932 book stating that "The corporation has, in fact, become both a method of property tenure and a means of organizing economic life. Grown to tremendous proportions, there may be said to have evolved a 'corporate system'--as there was once a feudal system--which has attracted to itself a combination of attributes and powers, and has attained a degree of prominence entitling it to be dealt with as a major social institution." Within a few years, the analogy with feudalism would grow more pointed, as corporations came to be "modern manors" (in Sandy Jacoby's [1997] term), providing a broad suite of welfare benefits for their members. And like much else about the society of organizations, corporate paternalism on a mammoth scale can be traced back to General Motors--in particular, a long-term labor contract struck between GM and the United Auto Workers in 1950 that came to be known as the "Treaty of Detroit" and that set the pattern for human resource practices throughout industry.

The Treaty of Detroit was the Magna Carta of the society of organizations. As a founding document, it allocated to corporations the feudal powers and responsibilities that were the province of a centralized state in other advanced industrial economies. In the years just prior to this contract, the UAW had been a forceful advocate for nationalized health care and enhanced social security, which were seen as natural extensions of the New Deal reforms of the 1930s (Lichtenstein, 1995). Other countries had recently implemented nationalized health care--for instance, the UK created its National Health Service in 1948. But large employers were adamant opponents of such creeping socialism, and the UAW under Walter Reuther settled for an industry-based solution.

The Treaty of Detroit included a pension plan for blue collar workers, cost of living adjustments in wages keyed to inflation, and a health insurance plan which ultimately came to cover retirees. Subsequent agreements added supplemental unemployment benefits for laid off workers, which encouraged those that were laid off to wait to be called back to work rather than seeking other employment. The Treaty, in short, laid out a framework in which corporate employers would guarantee wage stability, health care, and retirement security for its workforce and their dependents, providing strong incentives for career employment even for those workers with only minimal investments in firm-specific skills. The basic framework spread through pattern bargaining to the other major auto manufacturers, and Big Steel adopted similar practices, which ultimately became the template for corporate employers across industry, whether unionized (like the auto and steelmakers) or not. (See Levy and Temin, 2007 for a discussion of the Treaty of Detroit and its implications.)

Not everyone was happy about the spread of welfare capitalism (or “corporate feudalism”) throughout big industry, as it created substantial household dependence on the corporation. But the risk seemed minimal: GM’s 1949 profits were the largest ever recorded by an American business, and the early years of the Treaty of Detroit were highly productive ones for the US auto industry and its suppliers. Moreover, as Levy and Temin describe, it laid the basis for three beneficial trends going forward: an expanding middle class; mass upward mobility; and a safety net for industrial change.

Core elements of this system began to crumble in the 1980s as the ideology of shareholder value took hold. The 401(k) pension plan, which creates portable retirement accounts for employees rather than guaranteeing payouts by employers, spread widely beginning in 1982 as employers sought to transition out of defined benefit plans (Hacker, 2006). Large-scale restructuring in the corporate world was echoed at the level of the individual employment relation. One-third of the Fortune 500 were acquired or merged during the 1980s. In the early 1990s, a wave of layoffs spread to even the most rock-solid employers, such as IBM and AT&T. “Lean” replaced “big” as the preferred corporate adjective. The rationale for company pensions--an expectation of career employment with a particular firm--had come to seem anachronistic.

As late as the 1980s, most large companies, and two-thirds of smaller ones, had retiree health plans—a fairly clear signal of a long-term commitment. But the costs of this system were rapidly growing to be unmanageable. At GM, “The cost of retiree health care in 1993 was less than $400 per retiree per year; by 2007, it was $15,000 per year” (Ghilarducci, 2007: 17). Thus, in 2008 GM notified its white-collar retirees that it would no longer provide health insurance for them or their dependents, following a movement among many of its cohorts. In the past several years, the vanguard employers of the society of organizations have frozen pensions, abandoned retiree health care, and taken steps to buy out current employees, even before the economic downturn. Needless to say, there is little sign that Wal-Mart will be stepping up to the plate to provide similar benefits for the small number of their employees that will end up spending a career with the company.

Mobility and inequality now

Bureaucracy was derided by midcentury social critics for stifling creativity and inducing conformist "organization men." But when much of the workforce is employed in large bureaucracies, it places limits on the degree of income inequality and provides a legible map to individual mobility.

The first of these claims is paradoxical. Big corporations with pyramid wage structures would seem to exemplify inequality, ranging from the shop floor at the bottom to the executive suite at the top. Peter Drucker wrote in 1949, "Where only twenty years ago the bright graduate of the Harvard Business School aimed at a job with a New York Stock Exchange house, he now seeks employment with a steel, oil, or automobile company." Drucker noted that Wall Street had faded to relative insignificance in the economy. The biggest enterprises were largely self-financing through retained earnings. Moreover, retail investors, burned by market crash of 1929, had retrenched in the 1930s and 1940s, and by 1950 only one in ten families owned even a single share of stock (Kimmel, 1952). With relatively few buyers and sellers for their wares, those in the financial services industry were not notably better paid than those in other areas of the economy. The US at this time had a top tax bracket at 90%, and thus gambling on Wall Street provided little attraction to the rapacious. In a corporatized economy, the best chance for a well-paid career was in the managerial ranks of a major corporation.

But the bureaucratic personnel policies of corporate employers limited the levels of absolute inequality within the enterprise. When the rich and (relative) poor both worked at GM, there was a limit to how distant their fates could be. The attenuated levels of overall income inequality in the US that resulted from Federal wage restrictions during the Second World War thus extended through the 1950s and 1960s, long after explicit wage controls were lifted (Levy and Temin, 2007). For a generation, the US experienced relatively low inequality and high income growth until 1973, when the so-called "golden era" ended.

The startling levels of inequality we have seen in more recent times are attributable in part to the disaggregation of employment into reconfigurable supply chains and to the rise of finance. While CEO salaries in the US appear unconstrained by any sense of modesty, the more extreme sources of inequality come from outside of the corporate ambit. In 2004, the 25 best-paid hedge fund managers collectively earned more than every CEO in the S&P 500 *combined* (Kaplan and Rauh, 2007). The US has attained a level of income inequality higher than every country in Europe—including Russia (Davis and Cobb, 2010). Yet it is not so much those at the top of bureaucracies that contribute to our current Bolivian level of income inequality, but those outside of corporate hierarchies.

Bureaucracy also provided a route to upward mobility. Richard Sennett describes how long-term careers within a bureaucratic organization created a stable context to build a life narrative within a community of social relations. "The price individuals paid for organized time could be freedom or individuality; the 'iron cage' was both prison and home" (Sennett, 2006: 180). Moreover, pyramid bureaucracies with career paths provided a social map for getting ahead. Jobs were explicitly organized into ladders in the expectation that employees would spend their careers working their way up. But by disassembling firms into their component parts, which may be spread around the world, the OEM model renders job ladders anomalous. You can't work your way up from the mailroom to the CEO's office if the mailroom (and the HR department, logistics, IT, design, and production) are all run by contractors. In an OEM economy, far more jobs are dead ends, as one study showed that the proportion of men entering the labor force who remained in low-wage jobs ten years later increased substantially from the early 1970s to the early 1990s (Bernhardt et al., 1999; Applebaum et al., 2003).

We no longer have a legible map for economic mobility. Who could have known that working at a hedge fund (which hardly existed before the mid-1990s) or a dot com (which was inconceivable before 1995) was the fast path to riches, while a managerial career at a major corporation was a pathway to structural unemployment? Who could have guessed that taking orders at a drive-through, constructing hotels, designing car parts, reading x-rays, or decoding the human genome could be offshored (Blinder, 2006)?

There are still large employers, but the largest no longer fit easily into the category of "bureaucracy." Compare the career ladders of Wal-Mart, whose 6000 stores typically employ 300-400 employees in a relatively flat structure tightly controlled by headquarters in Arkansas, to those of GM. If the assembly line and the rule book were the characteristic form of control at GM, then "enterprise resource planning" (ERP) software is the form of control in retail. At Wal-Mart, unlike at GM, headquarters has real-time data on every facility at all times, and through ERP it can control everything from the temperature of individual stores to the schedules of individual employees. Those lucky few that get promoted into store management find themselves to be tightly tethered by an electronic leash.

The finance solution

Resistance to America's corporate-sponsored social welfare system goes back to the late 19th century, when the Pullman Strike of 1894 crystallized the dangers of company towns and corporate paternalism. Apologists for the massive layoffs of the 1990s updated the "corporate feudalism" rhetoric with the psycho-babble of the 1980s. Being fired was actually a way for career employees to break free from their unhealthy co-dependent relationship with their corporate enabler and become free agents responsible for their own destiny. But with no national system of health care, and a penurious Social Security system facing its own uncertain future, the new free agents were like 17th century English peasants, freed from the relative security of the manor to pursue a new life as vagabonds.

Finance provided a route between the Scylla of corporate feudalism and the Charybdis of socialism. Enthusiasts, including Robert Shiller, portrayed many social problems as simply market failures that could be overcome with the right financial innovations. Moreover, the advent of advanced information and communication technologies (ICTs) had put the tools within our grasp, and Wall Street ("the liveliest laboratory for new ideas in all of capitalism," according to Shiller) was putting them to work. Shiller's 2003 book *The New Financial Order* described the ways that unbound financial markets could solve the problems that vexed households. Homeowners should be able to take out insurance against (unlikely but possible) catastrophic declines in home prices. College students should be able to issue bonds based on their future earnings, a business proposition largely realized by MyRichUncle.com (which declared bankruptcy in February 2009). ICTs had made available the data and tools necessary to analyze and manage risks and spread them efficiently through financial instruments: "New digital technology, with its millions of miles of fiber optic cable connections, can manage all these risks together, offsetting a risk in Chicago with another in Rio, a risk for violinists' income with an offsetting risk in the income of wine producers in South Africa" (Shiller, 2003: 7).

The finance solution accorded with the broader turn toward neoliberalism. Margaret Thatcher famously stated in 1987 that "There's no such thing as society. There are individual men and women and there are families." If we could recognize that there is no society, and thus no state responsibility toward society, then individuals and families would once again be obliged to take responsibility for their own destinies, unhindered by intrusive states or overweening corporate employers, with Wall Street serving as their helpful economic Sherpa.

One of the great advantages of the "finance society" is that it brought the authoritative voice of the market into domains where it had previously been absent. True believers in the efficient market hypothesis (EMH) saw prices on financial markets as inerrant augurs of the future. President Clinton's entourage contained a number of enthusiasts, such as Robert Rubin, who persuaded him to attend more closely to bond market reactions to his speeches than to opinion polls. *Wall Street Journal* columnist Holman Jenkins went further, arguing that financial markets could serve as a North Star to guide the ship of state. Elections are costly, inaccurate, and subject to dispute, and voters have little at stake when they pull a lever in a booth, since a single vote almost never makes a difference. But investors have real money at stake when they buy and sell, and have incentives to invest in being well-informed. If states, like corporations, would simply bow down to the markets' powers of prognostication and pay less attention to fickle voters, governance would be much more rational.

The finance solution becomes Bush's "Ownership Society"

Within a few years, the finance solution became the guiding conception of a good society for the administration of George W. Bush. Bush (Harvard MBA '72) called his vision "the

Ownership Society," an evocative phrase that (like "original equipment manufacturer") ended up meaning the precise opposite of its literal phrasing.

The Ownership Society was the central domestic policy theme of Bush's second term. He described the broad program in his second inaugural address:

> In America's ideal of freedom, citizens find the dignity and security of economic independence, instead of laboring on the edge of subsistence. This is the broader definition of liberty that motivated the Homestead Act, the Social Security Act, and the G.I. Bill of Rights. And now we will extend this vision by reforming great institutions to serve the needs of our time. To give every American a stake in the promise and future of our country, we will bring the highest standards to our schools, and build an ownership society. We will widen the ownership of homes and businesses, retirement savings and health insurance - preparing our people for the challenges of life in a free society. By making every citizen an agent of his or her own destiny, we will give our fellow Americans greater freedom from want and fear, and make our society more prosperous and just and equal.

"Reforming great institutions to serve the needs of our time" in practice meant recognizing the end of welfare capitalism and finding novel finance-based solutions to the problem of the disappearing safety net for health care and retirement. It also meant making the most of the tools underwritten by securitization. And if it worked as planned, the result would be a permanent Republican electoral majority.

Bush was not the first politician to use share ownership as a transitional device to help dismantle the welfare state. Margaret Thatcher sought to implement a "share-holding democracy" in the UK during the 1980s by privatizing partially- or wholly-owned government enterprises like British Petroleum, British Steel, and Rolls Royce, with some shares reserved for small shareholders and marketed to the broad public through national ad campaigns. But the US had already gone far down the road toward substantial retail share ownership by the time Bush took office, making for a potentially smoother transition. The shift from corporate-run pension plans to 401(k)s during the 1980s and 1990s, coupled with the broad re-allocation of household savings from low-interest bank accounts to retail mutual funds, had turned the majority of American households into shareholders by the turn of the 21st century--compared to only 20% of households in the early 1980s (Bucks et al., 2006). This movement was labeled by some the "democratization of ownership" (e.g., Duca, 2001) and commentators enthused about the benefits to society of a nation of shareholders. Shareholders had incentives to become educated about the workings of the economy, and there was some evidence that participating in 401(k) plans changed the kinds of news sources individuals followed. (Of course, by the late 1990s it was nearly impossible to pass through a public place in the US without encountering a cable news channel giving updates on the stock market.) In a sense, the Ownership Society simply ratified trends already underway. But more intriguingly from the perspective of some interested parties, stock ownership seemed to change peoples' political views--specifically, they turned into Republicans. Writers for the *National Review* saw this as an electoral opportunity: candidates that appealed to voters *as shareholders* would be able to attract an increasingly prevalent "demographic" to the Republican Party. In 2000, Richard Nadler wrote "It is this educating tendency of capital ownership that the GOP has been slow to grasp…The party has to actively recruit investor members—but it is failing abysmally in this task" (see Davis and Cotton, 2007 for representative quotes).

This idea became known as the theory of the "investor class." Thus, Bush's top agenda item for his second term was to partially privatize Social Security by allowing workers to direct some of their mandatory pension investments into the stock market through "personal retirement accounts." The potential cost of implementing such a change, and the hazards of exposing so much of the population to market turmoil, made selling this idea tough. But it could yield great electoral benefits: according to Ramesh Ponnuru (writing in the *National Review Online* in

2004), "Social Security reform is the key goal of an investor-class politics, since it would bring almost the entire population into the class." Ultimately, according to anti-tax activist Grover Norquist, privatizing Social Security would make the Republican Party "a true and permanent national majority" by turning almost the entire population into shareholders, with economic and political interests perfectly aligned via the stock market. This was not a precise application of the *Wall Street Journal* editorialist's dream of a market-led national government, but it was a step in the right direction.

The ownership society blueprint extended to health care (via "health savings accounts") and other big-ticket items (through "lifetime savings accounts"). As the President incisively put it, "The more ownership there is in America, the more vitality there is in America, and the more people have a vital stake in the future of this country." (For the ownership society "fact sheet," go to http://georgewbush-whitehouse.archives.gov/news/releases/2004/08/20040809-9.html)

The final pillar of the ownership society was making home ownership more accessible by drawing on the innovative potential of the mortgage finance industry. In the words of the White House: "The President believes that homeownership is the cornerstone of America's vibrant communities and benefits individual families by building stability and long-term financial security. In June 2002, President Bush issued *America's Homeownership Challenge* to the real estate and mortgage finance industries to encourage them to join the effort to close the gap that exists between the homeownership rates of minorities and non-minorities. The President also announced the goal of increasing the number of minority homeowners by at least 5.5 million families before the end of the decade." (Quoted in the "Ownership society fact sheet" cited above.)

We now know that many financial institutions took the President up on his challenge in a form of "reverse redlining." As one Wells Fargo loan officer in Baltimore put it, "The company put 'bounties' on minority borrowers. By this I mean that loan officers received cash incentives to aggressively market subprime loans in minority communities," with bonuses paid to agents that could put prime borrowers into higher-interest sub-prime loans. Loan officers developed a number of innovative outreach methods, including offering incentives to ministers in African-American churches to induce members of their flock to take out sub-prime loans. (The NAACP has filed a class action discrimination suit against Wells Fargo and a dozen other banks that allegedly targeted minorities for subprime loans. See "Banks accused of pushing mortgage deals on blacks" at http://www.nytimes.com/2009/06/07/us/07baltimore.html .) The communities targeted by these tactics will be suffering the consequences for years to come. By October 2009, the city of Detroit had seized 9000 properties for tax delinquencies, and vacant properties had consumed 40 of the city's 139 square miles—enough land to contain the entire city of San Francisco.

Of all the accomplishments of the Bush Administration, its transformation of home ownership may be the most lasting. Generations of Americans had sought to own their own home as a means for saving and as a fundamental form of security. Nearly every American president had praised the societal benefits of home ownership, from Calvin Coolidge ("No greater contribution could be made to the stability of the Nation, and the advancement of its ideals, than to make it a Nation of homeowning families") to Franklin Roosevelt ("A nation of homeowners, of people who own a real share in their own land, is unconquerable") to George W. Bush ("Just like that, you're not just visitors to the community anymore but part of it--with a stake in the neighborhood and a concern for its future"). Yet in a brief period, home ownership had become a modern form of indentured servitude, as the number of underwater mortgages (in which "homeowners" owed more than the house was worth) swelled to one in four by late 2009.

Now what?

The ownership society is dead as public policy, and it is hard to imagine a circumstance that would bring it back. Bush's effort to privatize Social Security gained little traction among policymakers, and in retrospect it is clear that, bad as the crisis has been, it could have been worse. An investment of $10,000 in the S&P 500 on the day Bush took the oath of office was worth roughly $6,000 the day he returned home to Crawford. Among the half of US families invested in the stock market, the median portfolio (including retirement accounts) was worth only $23,000 in late 2008, which would fund exactly one year of retirement at the official poverty line (Bucks et al., 2009: A27). Those that hoped to draw on increased home values to fund their retirement, as envisioned in the Economic Report of the President 2006, have come to grief. And we still face the question of how to replace the institutions of the corporate-centered society.

Even before the crisis, big companies lamented the expenses imposed by their welfare capitalist obligations. GM's CEO in 2006 noted the legacy costs in pensions and health benefits that the company faced: "Most of the companies we compete with...have a different benefits structure. A significantly greater portion of their retirement [cost] is funded by a national system. We're now subject to global competition. We're running against people who do not have these costs, because they are funded by the government" (quoted in "GM's Decision to Cut Pensions Accelerates Broad Corporate Shift," *Wall Street Journal* 2/8/06). Evidently socialism breeds more competitive businesses. And the economic crisis has finished off much of what was left of the old system, as company after company cuts back or eliminates health insurance and retirement coverage. Even the Business Roundtable has come out in favor of national health care reform, with the head of its health initiative (and CEO of Eastman Kodak) stating "The status quo is a prescription for failure."

It is clear that we are at one of those rare turning points where scholarship might make a difference in how our current economic transition turns out. Consider the hand we have been dealt.

For the first time in a generation, there is a widespread perception that shareholder capitalism has reached its limits. As Shiller (2003) noted in his paean to financial markets, "The stock market will not make us all rich, nor will it solve our economic problems." It is simply no longer credible to many people that our financial gains as investors on the stock market will overcome our losses in security as employees and citizens.

Second, the nature of the relation between the state and the corporate economy shifted dramatically in a brief period. As of this writing, the Federal government owns large and often controlling stakes in six firms in the 2008 Fortune 100: GM (#4), Citigroup (#8), AIG (#13), Fannie Mae (#53), Freddie Mac (#54), and GMAC (#78). Four military contractors on this list receive from 50% to 90% of their revenues from the Federal government (Boeing, Lockheed Martin, Northrop Grumman, and General Dynamics). Six more are in health care, a sector on the verge of a substantial change in the balance of power between the state and firms, while three are pharmaceuticals and three are health care wholesalers. (Energy, retail, and finance make up much of the rest of the list.) Alternatives to corporations owned by (and run for the benefit of) shareholders are not merely possible; we already own them.

Yet there are difficulties that organizational sociologists will have to overcome to have a voice. As a field, the sociology of organizations focused on large-scale bureaucracies from Max

Weber at the turn of the 20th century to James Thompson and the birth of open systems theory in the 1960s. Theorists sought to explain why organizations had the structures they did and what effect they had on their members and the broader communities where they were sited. This approach was well-suited to explaining the dynamics of a "society of organizations." Moreover, it had practical implications for those seeking to create and manage organizations.

After the 1970s, however, those practicing the predominant theoretical approaches in organizational sociology displayed an almost willful aversion to coming up with anything useful to say, particularly when it came to designing organizations to get things done. Instead, researchers focused on unmasking the cynicism, hypocrisy, and irrelevance of much of organizational life. Resource dependence theorists argued that, at bottom, what happens in organizations is all about power, with stated concerns about organizational effectiveness mostly a rhetorical cloaking device. New institutionalists portrayed much of what organizations do as an elaborate charade oriented toward outside evaluators and decoupled from any efficacious activity. Ecologists claimed that the motivations behind organizational actions are largely irrelevant anyway, because whatever their managers do is unlikely to make much difference as the organization hurtles towards its inevitable doom. In the meantime, scholars of corporate strategy took over the task of explaining how different configurations produced innovations, new products, and profits. Moreover, as this chapter has described, the kinds of organizations we have today look little like the traditional bureaucracies that were prevalent when the dominant theories were spawned, indicating that the theories might not be of much use in any case.

Yet the "typical tools" used by organizational sociologists are still valuable even if their quarry has morphed from boundary-maintaining, goal-oriented social institutions into shifting networks. The tools simply need to be deployed in the service of the new economic and social forms arising now. Just as the advent of the large corporation at the turn of the 20th century and its transition to a dominant institution proved to be a fruitful time for social theorists from Veblen and Weber to Berle and Means (Adler, 2009), our current transition can be a fruitful context for new theorizing. Early 20th century social theorists and their followers developed an array of theoretical mechanisms to explain the structures and processes of large-scale coordinated action, from how participants are recruited and motivated, to how goals are negotiated and aligned with systems of authority and compensation, to how practices are adopted and adapted based on the experience of other organizations, to how success and failure feed back in to the system. These mechanisms are hardly irrelevant, even if a typical organization looks more like Vizio than like GM. They might be thought of as items at a theoretical flea market that can be repurposed for new uses.

In the next section, I describe some implications of this argument for future research. In the following section, I draw out some implications for public policy.

Implications for future research

One consequence of the broad movement of organizational sociology into business schools has been a relative neglect of non-corporate organizational forms by researchers. Certainly the corporate world offered a rich environment for the documentation of cynicism and hypocrisy by neo-institutionalists, particularly as shareholder-owned corporations came to dominate the attention of researchers. But non-corporate forms of organization that did not leave a ready trace in large-scale archival datasets were rendered nearly invisible to the research record. Rotchschild and Whitt (1986) provided a comparative analysis of co-ops and other collective enterprises, defined as “any enterprise in which control rests ultimately and overwhelmingly with the members/employees/owners.” As Marc Schneiberg has shown, the economy is littered with such organizational vestiges of the anti-corporate movement of the late 19th century, from producer co-operatives like Land o' Lakes and Ocean Spray, to consumer-owned mutuals like State Farm Insurance and the Vanguard mutual fund family, to the 8000 non-profit credit unions that enroll over 80 million members in the US. Yet in the 25 years since Rotchschild and Whitt wrote, published articles on biotechnology surely outnumber those on collective enterprises 100 to one.

What would the sociology of organizations look like if it took seriously the mission to help guide our current economic transition in a more humane direction? Research guided by this mission can take two forms. The first is the documentation of emerging alternatives to traditional corporate forms for achieving coordinated action. The second is in providing a means to export the lessons from these forms to economic actors.

Four emerging trends are particularly worth documenting. One is a shift in the nature of entrepreneurship as the parts needed to assemble an enterprise become readily available for novel re-combination. "Lego entrepreneurs" take off-the-shelf components and snap them together to form, say, an LCD television business like Vizio. We are used to studying entrepreneurship that inevitably ends in an initial public offering. Yet this is hardly the characteristic form of new venture creation, and it is increasingly possible to create enterprises with large impact but few "members," and without recourse to public equity markets. Vizio, for instance, grew to over $2 billion in revenues with far fewer employees than a single Wal-Mart store. Similar ventures exist in a number of consumer goods industries. It is not just for-profit businesses that can draw on this Lego model. MoveOn, a highly visible movement-like organization that claims three million members and grew from a grassroots e-mail campaign to end Bill Clinton's impeachment hearing to a national political force, had just four paid employees in mid-2003 (Chadwick, 2007). The Tea Party insta-movement that began in 2009 emerged almost overnight thanks to the ready availability of mobilizing tools. The increased capacity of entrepreneurs to rapidly grow from concept to large-scale coordinated action begs for more attention from organizational scholars.

A second domain that merits greater work from organizational scholars is the open source movement. “Open source” originally referred to the source code written by computer programmers that is then compiled into a workable program; it is “open” in the sense that users can read, modify, and share the underlying code, in contrast to commercial software which is already compiled. But open source has come to connote a broader movement of collectively-constructed products that are freely available for use. Linux is the classic example, as the primary challenger to Microsoft’s global hegemony in operating systems is available at no charge to anyone who wants it, arising out of the donated labor of thousands of dispersed programmers around the world. Wikipedia is another example. A surprisingly vast--and surprisingly high-quality--encyclopedia of the world’s knowledge emerged out of nowhere to become perhaps the world’s most-consulted authority. Diderot’s dream of documenting “each and every branch of human knowledge,” in a form accessible for free to everyone with a Web connection, has nearly become true--all relying on little by way of formal organization (see Shirky, 2008 for these and other examples). What organizational scholars might do is document how and why such projects work, and when they fail. What kinds of processes and structures enable such large-scale coordinated (and uncompensated) action? Siobhan O’Mahony and her collaborators have analyzed the governance and dynamics of open source projects (e.g., O’Mahony and Bechky, 2008), and work that builds on this lead would be a welcome addition.

Social movements provide a third domain calling for greater attention. In some sense, social movements and formal organizations are both simply alternative manifestations of collective action, as both entail activities such as recruitment, motivation, coordination, and so on. But movements are typically comprised of shifting coalitions aimed at attaining a specific goal, and their activities are often oriented toward a specific action or project. For instance, perhaps the largest protest in world history took place on February 15, 2003 when millions of activists in hundreds of cities around the world marched behind banners proclaiming “The World Says No to War” during the run-up to the American-led invasion of Iraq--all organized virtually for free over the Web. Social movements deserve attention because they are frequently in the vanguard in the use of new technologies and in the creation of new repertoires of coordinated action. So-called “flash mobs,” in which groups of people are mobilized to appear at a particular place and time, originated through anti-government protests in the Philippines coordinated via cellphone text messages, and have since morphed into artistic and commercial forms (Rheingold, 2003). Methods that are able to produce such large-scale coordinated action on a light platform are certain to find novel applications. Most broadly, social movements are a laboratory for repertoires of collective action, particularly new forms enabled by information and communication technologies (cf. Chadwick, 2007; Shirky, 2008). Studies of how social movements manage to do what they do are an apt topic for organizational researchers.

Finally, non-profits, social enterprises, and hybrid organizations are a fourth domain worthy of further study. Thanks to changes in forms of financing, to be discussed in the next section, entrepreneurs are blurring the boundaries between for-profit and non-profit forms, creating enterprises with an explicit social aim. But their prevalence in the real world has yet to be matched by their centrality to organizational research. One intriguing example is provided by

Katherine Chen (2009) in her analysis of the organization of Burning Man, which brings 50,000 participants to a temporary village in the Nevada desert each year. The organization is like a comet that returns intermittently to construct, then de-construct, an entire small city in the middle of nowhere, a feat worthy of contemplation during a time when cities in disaster zones need rapid reconstruction.

Analyzing and documenting these forms is a first step. A second is helping to disseminate the more useful ones. Consider Cleveland. Over the past few years, Cleveland has become a living laboratory for the creation of a network of worker-owned cooperatives, guided in part by academics with a rooting interest in their success. The co-ops underway include the Evergreen Cooperative Laundry, Ohio Cooperative Solar (a solar installer), Green City Growers (a hydroponic urban farm), and the *Neighborhood Voice* (a local newspaper), with common back-office support to be provided by Evergreen Business Services. The firms are to be worker-owned via payroll deductions, with seed money coming in part from the grant-financed Evergreen Cooperative Development Fund. All aim to be the greenest firms in their sectors, and all will contribute back to the Fund to seed new worker-owned ventures (Alperovitz, Howard, and Williamson, 2010).

Students of innovation (including me) spend a great deal of time counting patents and initial public offerings. But surely we can skip the next few papers on IPOs in biotech and instead channel our research energy into getting a better handle on the lessons of Cleveland, and perhaps help seed more experimentation.

Implications for policy

A critical implication of this chapter's argument is that the policy levers appropriate for guiding a corporate-centered economy may no longer be particularly useful. Here I focus on one domain in particular: jobs creation. The most marked consequence of the economic downturn has been a leap in unemployment and under-employment. But for reasons this article has touched on, traditional policy responses emphasizing the role of corporate innovation in creating jobs are likely to be inadequate.

The rapid collapse in employment was largely due to the nature of the prior economic bubble. One-quarter of the jobs created during the bubble were in real estate-related industries. Mortgage brokers numbered in the hundreds of thousands; real estate agents came to outnumber farmers; and new industries such as granite countertop installation were held out as exemplars of entrepreneurial vibrancy and job growth. Retail was another growth sector, as homeowners drew on rapid (and illusory) increases in house prices to extract equity from their homes to fund consumption beyond their wage income. These forces interacted when individuals came to see houses as a relatively liquid asset class worthy of investment. More than one in four houses sold in 2005 were purchased as investments, not primary dwellings, and such houses were often lavished with improvements intended to increase their immediate resale value--say, by installing granite countertops and stainless steel kitchen appliances (Davis, 2009).

When the bubble in residential housing burst, employment in housing-related sectors and retail collapsed as well, and there is little sign of a revival. Indeed, early signs point to a similar abrupt downturn in commercial real estate. The result has been the highest level of unemployment and underemployment in generations, approaching a Depression-level magnitude of almost 20%.

The standard response among policy makers has been to push for “innovation” as a means to revive employment. The idea is that the creation of new products and new businesses will lead naturally to the creation of jobs. For example, the *Wall Street Journal* published an oped by the publisher of *Forbes* on January 28, 2010--the day after President Obama's State of the Union address and also, coincidentally, the day after Steve Jobs introduced the new Apple iPad computer--titled "Apple to the rescue? Why President Obama should meditate on the career of Steve Jobs." The piece argued that Apple exemplified the kind of innovative company that America needed to foster in order to create "exciting new jobs," and noted a number of companies that, like Apple, had been founded during the dark economic years of the 1970s. Yet the following day the *Journal* published a news article titled "Analysts expect iPad to give lift to Asian suppliers," which noted that "Like many technology brands, Apple doesn't actually manufacture most of its products. It hires manufacturing specialists--mainly Taiwanese companies that have extensive operations in China--to assemble its gadgets based on Apple's designs." Apple has been named the "World's Most Innovative Company" by *Business Week* every year since the magazine's survey began in 2005. But 30 years after its IPO in 1980, Apple employed only 34,300 people—far fewer than the recently-liquidated Circuit City stores where its goods were sold.

In the wake of three decades of a shareholder value economy, innovation has become largely detached from employment. Vizio is the most extreme example--the California-based company that sells the largest share of LCD televisions in the US employed perhaps 120 people in 2009, as its production is done by contractors in East Asia. But it is hardly unique, as the most innovative high tech companies in America create relatively few American jobs in any direct way. Apple, Google, Microsoft, Amazon, Intel, and Cisco--the crown jewels of America's innovation economy--collectively employ fewer people than Kroger, a grocery chain. Put another way, all of these firms would have to triple in size just to replace the 600,000 jobs the US shed in January 2009.

I have hinted at how this came to be: the elaboration of a sector of snap-together organizational components, coupled with the demand to "create shareholder value," pushed corporations to generate the most cash flow with the least assets, including human assets. The bust-up takeovers of the 1980s and the restructurings of the 1990s led to an economy comprised of relatively small, focused firms. The largest US employers--now primarily retailers--employed a smaller proportion of the labor force at the turn of the 21st century than at any point in the prior half-century (Davis and Cobb, 2010). And the efficiency push that purged manufacturing of its excess employees is doing the same to retail, as "workforce management" software allows centralized control of a streamlined workforce from corporate headquarters (Davis, 2010). In the wake of the downturn, firms are learning to do more with less, at the expense of employment.

In short, "innovation" in the service of creating shareholder value may do very little to create jobs. The Ownership Society envisioned citizens as investors, not employees or community members. But public policy--particularly at the state and local level--can create a context for organizational innovation in which employment is an explicit goal.

Louis Brandeis long ago described states as laboratories for policy innovation, and recent research documents that much of the action in enabling or suppressing innovative new ventures takes place at the state level. The Federal deregulation of the telecom sector in 1996 was supposed to unleash a wave of new competition at the local level, but Eric Neuman (2010) shows that states varied wildly in the birth rates of new local phone companies. Kansas saw new phone companies founded at roughly twice the rate of Iowa, although the two states are otherwise quite similar, and Alabama had more than three times the rate of new business foundings as Colorado during the early years of deregulation, in spite of Colorado having a far larger local business market. Neuman shows how politics and prior policy experience at the state level decisively shaped the climate for new business. Local micro-climates made all the difference for new business creation in this technology sector. Thus, the national government may be most suited to policy oriented toward large corporations, while “locavore” solutions may be better suited to the contemporary post-corporate economy.

Legal innovations that allow for novel organizational forms are central here. One of these is the broad spread of LLC laws across the states, followed by the creation of L3C laws in Vermont, Michigan, Utah, and Wyoming. An LLC is a “limited liability company,” a highly flexible form of organization that mimics the corporation in some aspects but offers other advantages unavailable to corporations, such as allowing pass-through taxation. LLCs have become perhaps the predominant legal form for new businesses due to their great flexibility (Ribstein, 2010). An L3C is a “low-profit limited liability company,” which takes the chassis of an LLC and adds certain features that make it amenable to hybrid enterprises that combine elements of for-profit and non-profit organizations. In particular, to qualify as an L3C an enterprise must “significantly further the accomplishment of one or more charitable or educational purposes” by Federal tax standards, and its founding documents must state that producing income or property appreciation is not a significant purpose of the enterprise (although profit per se is not ruled out). Its legal structure allows it to draw on multiple tranches of financing, including a combination of some investors seeking market return, others seeking modest-return social investment, and private foundations aiming to make program-related investments that qualify toward their required annual distribution (Reiser, 2010).

A related innovation is the so-called “B corporation” or “for-benefit” corporation. A B corporation is a “normal” corporation legally created in a state with laws allowing corporations to address obligations other than profitability and certified by B Lab, a third-party social responsibility auditor (see http://bcorporation.net/). Those that elect to incorporate in New York are required to insert this text into the articles of incorporation: “In discharging his or her duties, and in determining what is in the best interests of the Company and its shareholders, a Director shall consider such factors as the Director deems relevant, including, but not limited to, the long-term prospects and interests of the Company and its shareholders, and the social, economic, legal, or other effects of any action on the current and retired employees, the suppliers and customers of the Company or its subsidiaries, and the communities and society in which the Company or its subsidiaries operate...” (see http://survey.bcorporation.net/become/legal2.php for New York). The likely long-term prospects of these hybrid forms professing an orientation toward a broad social benefit, including stable employment, remains to be seen (see Reiser, 2010), but there is clearly a ferment at the state and local level in legal innovations allowing new forms of organization.

Given legal innovations, advances in ICTs, and new formats for financing, it is possible to imagine novel organizational forms that combine features of prior forms (such as co-ops and mutuals) with new advantages in the service of creating stable employment and developing communities. States can play a critical part here in facilitating organizational forms that privilege employees over shareholder value. A surprising example of this is The Hershey Company. Hershey was long the largest candy maker in the US and the largest employer in its eponymous town in Pennsylvania, and its shares have traded on the New York Stock Exchange since 1927. In his will, the company’s founder left an ownership stake worth 77% of the corporation’s voting rights to a trust used to fund a residential school for orphans in the town of Hershey (now named the Milton Hershey School). The trustees of the School oversee its multi-billion dollar endowment, including its controlling stake in the Hershey Company, giving them de facto control of the business. Early in the 2000s the trustees sought to sell their stake in the company in order to diversify--obviously a prudent move for financial purposes--but the Attorney General of Pennsylvania intervened due to the “irreparable harm” that selling the company might cause the community and its economy if the company were sold to outsiders not loyal to Pennsylvania. The Orphans Court of Dauphin County, which oversaw the Trust, subsequently forced out the trustees, who were replaced by a group vowing never to sell the company. Pennsylvania is home to the nation’s strictest “other constituency” law than allows corporate directors to privilege community and employee interests over those of shareholders (although Hershey is incorporated in shareholder-friendly Delaware). To this day, the trustees refuse to contemplate any corporate strategy that might dilute the Trust’s control over the company, in spite of pleas from Wall Street and overtures from potential acquirers such as Nestle and Cadbury (see Davis, 2009: chapter 3).

Conclusion

The transition to a post-industrial, post-corporate society is nearly complete in the US, as the proportion of the labor force that grows food or manufactures material goods is approaching an irreducible minimum—perhaps 5%. The immediate response is one of collective dread at the prospect of long-term unemployment for much of the population, coupled with the loss of the traditional corporate safety net. But perhaps an alternative is possible. Rotchschild and Whitt (1986: 190) end their monograph on collective enterprises with a hopeful vision:

> Possibly the collectivist organization can arise only where technological capacity is great enough to free most from toil. We can hunt in the morning, fish in the afternoon, and talk philosophy at night only when we have the technological capacity to easily sustain material existence. When work is relatively free from

> the press of necessity it becomes self expressive, playful activity. The mechanical industrial age vastly increased humankind's capacity to reproduce material existence. Now we appear to be moving into an electronic age which vastly increases our capacity in this respect and also alters the nature of work, from transforming things to creating and disseminating new values, services, and knowledge. This transformation perhaps will give us more freedom to merge work with play.

Another world is possible, and Art Stinchcombe is its prophet. The demand for new forms to address collective problems is evident, and the array of new social, legal, financial, and other technologies—in part, the "ruins" left by shareholder capitalism—suggests that we could see a Cambrian explosion of new forms. With a temporary respite from the demands to maximize shareholder value, we might imagine a positive agenda for organization theorists in helping midwife more participative forms. Is it too much to expect the iPhone "workplace democracy app" that will turn GM into a kibbutz?

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