

Self and Society

by Anne Emerson

How have we become so uncertain about how to manage our civic institutions, our society, and our economic and political systems? This essay will offer some thoughts on the matter. We start with the philosophical underpinnings of modern business thinking. We proceed through the way in which the world has changed since then, and onward to explain what much of the business world may have lost in the process.

Here goes: Believe it or not, what is often taught in “Principles of Economics” textbooks is that, if we pursue our own interest, we necessarily also pursue the interest of society. The argument goes something like this:

If there are many small businesses producing, say, knives and forks (or chopsticks, or spoons), then they will compete with one another to produce the items that customers most want to buy. This ensures that the “best” knives and forks (or chopsticks, or spoons) are made. The business makes money and the customers are satisfied.

This same general approach, adopted throughout an economic system, ensures that the best of everything is produced and customers are as happy as you can reasonably hope for, in a complex society where people and resources differ across regions and socioeconomic strata.

You would probably have to be an economist to understand the full scope of the argument, and you would probably have to have a graduate degree in economics before you could start to poke holes in the reasoning. Well, yours truly does have a graduate degree in economics, and here is a very simple counter-argument to the argument above that looks good on the surface:

“Well, okay, so the best person won. That is, the best company survived the competitive environment (we won’t ask how) and now makes all the knives and forks (and chopsticks, and spoons) in the world. What we have politely forgotten is that there were a few companies that didn’t quite make it. THESE companies have built complex factories, hired workers, spent money, allocated resources, and cannot sell their products because consumers are buying the “winning” product. That’s a HUGE waste of resources.”

The slip-up from there to here is that we stopped being even close to “perfect competition” – where the businesses are small, local, and pretty similar one to another. They each served their local markets and co-existed pretty happily. THAT was the set of assumptions underlying the development of modern economic and political systems. So yes, the intuition that the main problem is the large size of modern corporations is approximately correct.

But here again, it helps to have a graduate degree in economics. “Monopoly Power” is the idea that a corporation can make prices “too high.” IF, in fact, the nature of the monopoly is that it is a network monopoly, or “natural monopoly,” then the consumer benefits from ownership of the network by a single corporation and we have a different situation. If the owner of the network plays fair, prices will be lower for consumers. (The idea that they don’t play fair MIGHT encourage them not to play fair. Perhaps.)

Now we are morphing into the real topic of this essay. Traditionally, economics has been mostly about prices and the responses of businesses and consumers to price changes. Introducing the idea of power, including market power, suddenly puts us into the realm of power politics.

In my opinion – and folks are welcome to discuss this among themselves – modern corporations have become so large, and they have so much control over resources, that their financial power threatens to become larger than the financial power of national governments. Now, it suddenly looks naïve to explore the kinds of issues we currently face within the context of traditional economic analysis (where market prices deliver system-wide beneficial outcomes, in the nature of things). We should be looking at large corporations as though they are little (or big) fiefdoms of their own. They have kings (CEOs), an aristocracy (Vice Presidents; Board Members), various layers of minor nobility (middle managers), and “the masses,” or ordinary people doing the basic jobs.

I will not pretend to be an expert in power politics. Yet, I have been married for almost fifty years to someone who is. Are you intrigued yet? HIS family discusses politics over dinner to the point where I tune it out. In particular, if they seemed to think they knew anything about economics or the psychology and culture of citizens of another country, I kept my mouth shut for many years. I learned early on that my perspective didn't go over well. “Europeans think American tourists act super-entitled.” Snappish response: “Well, Europeans like our technology, don't they?”

(Actually, you might be surprised what Europeans think about that, too. And anyway, it's hard to generalize about countries and continents that are extremely diverse.)

So, back to “self vs. society.” There is always and everywhere a tension between the interests of the individual and the interests of the society. I believe we can resolve that tension, but we need to learn how. If we go into a situation thinking that our culture has the answer to a multi-cultural problem, we may behave like a bull in a China shop. We may believe that the resistance we face is the other person's problem, while the other person thinks it's our problem. This is an excellent recipe for intolerance, escalation, and a final resort to mutual violence, born of mutual desperation.

What has perhaps been unfortunate was how much the idea of the “invisible hand” (where an imaginary conductor guides the economic engine to a magical beneficial outcome, via the honest efforts of each small agent to pursue his or her own interest) has caught on. This idea was introduced by a Scottish professor of moral philosophy, named Adam Smith, a long time ago. If you read the book, “The Essential Adam Smith,” by Robert Heilbroner, reviewed on this website, Anniespicsandpoems.com, you should start to understand that this notion is a huge simplification of what Adam Smith actually said.

Times have changed; ideas have changed; global cultures and societies have changed. But Adam Smith's understanding of self and society was likely a major force behind “peaceful transfer of power” in what was once the new United States of America. For that reason alone, he is still relevant today. That is, in my opinion. If you can, please read the above-mentioned Heilbroner book. It speaks to us today. Smith himself can be a little hard to understand. He assumes a reader has knowledge of his world and understands his vocabulary.