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Class Lists, 1972

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STRATEGIES FOR SUSTAINABLE GROWTH 15.963 Seminar Fall Term 1972

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MEMORANDUM

TO: Members of Seminar 15.965

FROM: Professor Carroll Wilson

DATE: January 4, 1973

RE: Meetings on Monday, January 8, 9:30 - 3:30; Tuesday, January 9, 2:30 - 8:30; and Wednesday, January 10, 9:30 - 12:30 in Room 365.

You have already received a notice that Professor George Lodge will be with us Wednesday morning and a copy of his paper has been sent to you.

After considering various scenarios for Monday and Tuesday, I decided on the following:

1. Monday - We will examine the energy outlook because energy conservation may become the first real resource pinch. It is useful as an example of how quality of life may be sustained or improved with marked reduction in non-renewable resource use. Many questions arise concerning the factors which might induce such changes in advance of a catastrophe of some kind. Enclosed is a draft of a public statement (an editorial) I've written recently which identifies some of the issues.
2. Tuesday - I propose that we consider options for the second semester and try to develop a general plan. We meet at 2:30 and continue through dinner.
3. Wednesday - George Lodge will be with us from 9:30 to 11:00 or 11:30 and will leave plenty for us to discuss until adjournment about 12:30.

CLW/NCL
Enclosure: Draft Editorial

George Cabot Lodge —

"The Revolutionary Process is Working"

Changes in Ideology + Structures of Institutions

DSG

G.C. Lodge
December 1971

FINAL LECTURE

Business and Ideology - AMP 62

The custom of final lectures seems a peculiar one. I am quite sure that by now you have comfortably recovered from our 12 sessions together; and back in the reassuring arms of your wife - or other loved one - you have little stomach for more of this ideology business.

There is however, something to be said for giving the teacher the last word. Weaving home from my umpteenth Can dinner the other night I was ruminating on the forces of revisionism in your midst to which you may have been tempted to succumb. It occurred to me that the dogmas which I had taken such pains to plant among you might have come uprooted or at least be wilting from thirst. It is, therefore, with gusto that I undertake one last fling before you are finally released.

Some of the Europeans in the class have made the point that America isn't as badly off as some Americans seem to make out. There is truth here. We are reminded of Moliere's physician speaking to his patient: "What I want is important diseases, good long fevers with delirium, fine high fevers with purple eruptions, good old plagues, nice, well formed dropsies, splendid pleurasies with inflammation of the lungs. That's what I like, that's where I triumph. And I should be delighted, sir, if you had all the diseases I have just named, and if you were given up by all the doctors in desperation, in your last agony, just so I could show you the excellence of my cures, and my earnest desire to render you service." So speaks the pedantic purist; the doom sayer, who hopes for disaster so that his prediction may be fulfilled and his prescription glorified. When Moliere's unfortunate patient is

recovering his health by following an unorthodox treatment not prescribed by his physician, the outraged doctor cries out: "Sir, it would be better to die according to the rules than to live in contradiction to the Faculty of Medicine."

There is merit and wisdom in the admonition of our European friends and in the lesson of Moliere. There are those on the right and on the left whose preoccupation with crisis and revolution has constricted their view so that they are unwilling or unable to recognize what is really happening. They try to fit events into a preconceived mold and declare that if events do not fit the mold, they have not happened. Europeans have had more experience with revolution, ideology and utopia than we have. They know the pain and delusion which are so apt to accompany reformation: Napoleon, Stalin, Hitler. They know the danger of the dogmatist, who says, "my way and no other." So Europeans advise us: "Be careful. You are indeed on the leading edge of a gigantic transformation in Western civilization, a transformation which has been long in its building and which is calling into question ideas and assumptions which were born in the 16th century when the West began its passage out of medievalism. But be realistic. It may be happening. The openness of your system, the plasticity of your institutions, the breadth of your political participation - these are unique. You are changing faster than you know, in your own sloppy American way." Jean-Francois Revel put it succinctly: "The revolution of the 20th century will take place in the United States. It is only there that it can happen. It has already begun. Whether or not that revolution spreads to the rest of the world depends on whether or not it succeeds first in America."

(Without Marx or Jesus: The New American Revolution Has Begun, 1970 Doubleday, p.1)

Although Revel contends that, only in America can the revolutionary models of the future be formed, I find that hard to accept. I cannot believe, for example, that in Japan and particularly in China there are not new models taking shape. My guess would be that the transformational models of the West may well be designed here and those of the East in China. That they will tend to follow converging ideological lines also seems probable, so that eventually there will be the basis for the sort of world order which we know is ultimately necessary if we are to survive on this shrinking earth encased in its fragile biosphere. Revel may be right, however, that America may prove capable of being the crucible for syntheses.

It is fascinating to speculate how the revolutionary process in America will work. It is perhaps more important to observe how in fact it is working. Realism requires that we do this rather than adopt the ostrich's posture in the sand or that of King Canute resolute against the inevitable tide. Management is knowing what you can affect and what you cannot, perfecting the former, adapting to the latter.

Revel asserts that five conditions must be present for the revolution to be realized:

- "1. There must be a critique of the injustices existing in economic, social and racial relationships.
- "2. There must be a critique of management, directed against the waste of material and human resources. This is related to the preceding critique, since it demonstrates that injustice results in inefficiency, and thus in counter-productivity and in the ruin of a nation's resources. It also calls into question the orientation of technological progress toward goals that are either useless or harmful to man.

"3. There must be a critique of political power, directed against its source and principles as well as against its exercise, the conditions in which it is exercised, distributed, or monopolized, the location of decision-making powers, the relationship between the consequences of these decisions for the people, and the difficulty (or the impossibility) for the people of participating in these decisions.

"4. There must be a critique of culture: of morality, religion, accepted beliefs, customs, philosophy, literature, art; of the ideological attitudes which underlie these things; of the function of culture and of intellectuals in society; and of the distribution of that culture....

"5. There must be a critique...aimed at the relations between society and the individual. In it, the individual is considered as a sensitive and original being, rather than as a citizen, and society is regarded as a means either of developing or distorting the proper worth of each individual." (pp. 11 and 12)

Revel argues that in every revolution worthy of the name these five conditions were present and that they are present today in America. What makes America unique is that the revolution is taking place without the classical, "conquer or die" armed insurrection which toppled the Hapsburgs, the Russian tsars and their ilk, but through the action and inter-action of thousands, indeed perhaps hundreds of thousands of individual and group activities, a subtle mixture of violence, legality, illegality, testing and stretching on numerous fronts by numerous coalitions coming and going.

He mentions in particular Joan Baez, Playboy, Chicano leader Cesar Chavez, Women's Liberation, Gay Liberation, the Black Panthers, Earth Day, Macbird, (the Broadway play in which LBJ is accused of having had John F. Kennedy assassinated). SDS, Weathermen, hippies and yippies, Peter Fonda as Easy Rider, Jesus Freaks, Buddhist movements, the Peace movement, Black Power, Red Power, Brown Power, Sex Power, Student Power. (Chapter 16) He could have added more, a vast, outrageous, spiritual upwelling reminding us that once again, in the phrase of Walt Whitman, America is shouting her barbaric yawp over the rooftops of the world.

The final paragraph of Revel's book is worth quoting: "Today in America - the child of European imperialism - a new revolution is rising. It is the revolution of our time. It is the only revolution that involves radical, moral, and practical opposition to the spirit of nationalism. It is the only revolution that, to that opposition, joins culture, economic and technological power, and a total affirmation of liberty for all in place of archaic prohibitions. It therefore offers the only possible escape for mankind today: the acceptance of technological civilization as a means and not as an end, and - since we cannot be saved either by the destruction of the civilization or by its continuation - the development of the ability to reshape that civilization without annihilating it."

I

You and I are preoccupied with the management of corporate organizations in the midst of this change: you are also men of power and influence in the community with the capability of leadership. We are quite obviously inclined toward the status quo; it has served us well. We, therefore, naturally tend to resist change when it threatens the system which brought us to power and which sustains us there. This does not mean of course that we do not acknowledge the need for change - clean air and water, an end to poverty and racism, urban renovation and the like - but when change threatens the structure of our institutions, government, business or whatever, then it becomes alarming. It was obviously this structural threat which so exercised Mr. Roche about Ralph Nader and Campaign GM; it is the structural issue of property that is at stake in the case of Con Ed; and the question of the structure, authority and capacity of government which dominated our discussion of mass transit. Note that in each of these instances, it is wrong to ignore the facts about structural change. Roche should have been alarmed not so much by the threat of change as by the fact that it had already occurred and was merely dramatized by Campaign GM. Now that it is quite clear that GM is not property in any real sense, that it has no owners,

it has the problem of going beyond the legal fictions which support its relationship to the community to find a more solid foundation. Similarly, the political context that once adequately cradled Con Ed has deteriorated; the old cradle is unable to address the issues upon which Con Ed's future depends; the company needs a new cradle or - like baby - it will fall. Slowly - perhaps too slowly - the new cradle is being built. Westinghouse assumed the existence of a structure what was not there. It is coming but when it does, it is doubtful that the Skybus will fit it.

Structural change is occurring, change rooted in fundamentally different ideological assumptions than before. In some instances business itself is spurring it. Here the question arises as to whether business is fully aware of what it is doing, ready for the shock of its own actions.

I was talking the other day, for example, to one of our doctoral students who spent the summer studying a dog food factory in Topeka, Kansas, which is part of a large national food company. The internal structure of this factory was radically different from other plants of the company or of American industry generally. It was an experiment to determine whether a participatory system could be devised wherein workers would feel a greater sense of identity and motivation than before (following Revel's condition No. 5). It was based on a very non-Lockean notion of individualism. At this point the experiment has worked well: a high degree of motivation, and an impressive record of productivity. A serious problem exists, however, if this plant does represent a better and more efficient form of organization, there is little reason why it should not be extended throughout the company to other plants and even to headquarters. If this were done, the effects would be radical, profoundly dislocating to current union and management structures. The issue comes to this: Is it management's function to perpetuate a certain techno-structure (to use Galbraith's descriptive phrase), or is it management's function to serve the best interests of the community which surrounds and depends on it - shareholders, workers, consumers etc. You will

probably say the latter, of course. If that is the case, I submit you must be prepared for radical, structural change which will not only erode what have been called management's prerogatives but may even put many managers out of work.

And when I say "prepared" I don't mean dug in behind the barricades ready to fight. I mean looking at the introduction of change as a primary order of work not so much out of any sense of nobility, although this I would not deny you, as out of an awareness of the requirements for competitive survival.

The nature of the American system requires that change be varied, many-faceted and multiple. Our's is not a particularly well-ordered society; it is not blessed with any great homogeneity; it lacks consensus; our government is diffuse and lacking in authority; national planning of any sort does not come easy to us. Revel would say, I suppose, that this is our strength, manifold openness within which the many engines of change can move with freedom. It also can become a weakness, however, if:

1. The level of chaos becomes unbearable and repression sets in in the name of law and order, or if

2. The engines of change do not work hard enough or somehow are throttled so that change is stymied, mired in its own chaos. In this event the system will run down, malaise will spread, work stop. Let us just say, for example, that in order for General Motors to survive in the face of world competition, it must increase its productivity, increase output and decrease costs. Let us say that poor worker motivation is an increasing cause of lowering productivity. Then let us say that to improve motivation and thus productivity, radical changes in the nature of the internal structure of the corporation have to be made involving a change in the role of the union, much greater sense of participation of workers in the decisions which affect them - something like the elaborate consensus making mechanisms which, for example, the Japanese employ.

If you can imagine such a set of assumptions, then it becomes clear that the effectiveness of General Motors, and, by extension, the U.S. economy, could well depend upon the rapidity with which it can introduce manifold structural change.

II

Now, what of the direction of change. Revel's conditions give us a hint as do, I think, much that we have read and talked about in class.

First of all it is necessary to remember that corporations are in their essence political constructs. That is they came into existence and flourished as the result of a collection of needs felt by the community largely during the 19th and 20th centuries. They exist at the sufferance of the community and its government. During most of the 19th century the American state gave maximum freedom to corporations because of the need felt by the community to exploit the great natural resources of this country. Economic growth was held to be good per se, and corporations were given maximum freedom to pursue it as community. Competition itself was considered a sufficient regulator.

During the last 50 years the restraints have grown. The old ideology gave way. Growth and private enterprise were forced to take a second place in the face of the exploitation of child labor, the exploitation of individual workers in general, and the health of the community etc. Politically speaking the nature of the charter by which the state allowed the corporation to function was changing. All the while the corporation, the large ones in particular, fought to stave off state interference, save where it was advantageous to them as in subsidies, depletion allowances and the control of certain forms of competition. The corporations were seeking to maintain the old understandings, the old relationships, the old structure. The state persisted in response to crises, most notably the Great Depression. In the 1930's we can truly say that a radical alteration occurred in the political arrangements within which corporations

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were allowed to operate. Between 1939 and 1969, however, these arrangements remained remarkably unchanged. During those 30 years the attention of the American community was diverted from itself and concentrated on foreign enemies, real and mythical. Now we are back to where we were in the thirties, picking up the threads of the old issues. They have a strangely Rooseveltian ring. The last time we talked seriously about a national energy policy was during the birth of the TVA and huge federal power projects in the West. Lockheed's problem resembles nothing so much as it does the cases brought before the Reconstruction Finance Corporation. The Securities and Exchange Commission once again is considering a major overhaul of its control of capital markets. And the President's economic plan has a definite New Deal aura about it.

But today there are a variety of new issues forcing the molding of the new charter which the community vaguely and hesitantly is making for the organization of America's system for producing goods and services. These new issues are most different in their philosophical ingredients. All of them strike at the very vitals of the old ~~ideology~~, at the old idea of individualism, the old idea of property rights, the old idea of competition, the old idea of the limited, weak state, at all the many ~~myths~~ that go with them and at the structures which these old ideas and myths have upheld.

The new issues relate to Revel's five critiques - of justice, of the management of human and material resources, of political power, of culture and of the relations between individuals and society. But they cut across them. Indeed this is one of the striking features of our time and one of the reasons that the transformation around us is so confusing: everything is cutting a different way than before. In brief, the linear has given way to the cyclical, the straight line to the circle. The implications are enormous. The specialist, the expert, is peering tangentially into a void, his speciality meaningless unless connected to the circle. Linear systems - oil from the ground,

distilled into fuel, burned in an engine, converted thereby into noxious fumes, which are emitted into the air to form smog - are disrupting the essential harmony of the circle. "We have broken out of the circle of life," says Commoner, "converting its endless cycles into man-made linear events." (The Closing Circle, Alfred A. Knopf, New York, 1971) We have succumbed to a nearly fatal illusion that through our machines, our technology, our specialization "we have at last escaped from dependence on the natural environment." (p. 15)

The philosophical implications of this fact seem to me of the same order of importance as were the discoveries of Newton and Galileo. They are particularly significant for managers. You will remember Brooks Adams' warning about the dangers of specialization for administrators in a time of substantial change. Whitehead in 1925 foresaw the problem when he spoke of the evils of Lockean individualism and its counterpart, scientific specialization, the first being "the ignorance of the true relation of each organism to its environment," and the second being "the habit of ignoring the intrinsic worth of the environment which must be allowed its weight in any consideration of final ends." He spoke of "the restraint of serious thought within a groove," of "a celibacy of the intellect which is divorced from the concrete contemplation of the complete facts....The dangers arising from....professionalism are great, particularly in our democratic society. The directive force of reason is weakened. The leading intellects lack balance. They see this set of circumstances, or that set; but not both sets together....In short, the specialized functions of the community are performed better and more progressively, but the generalized direction lacks vision." (Science and the Modern World, pp. 282, 283) The importance of ecology is not only that it has made us aware of the fragility of the biological support system upon which life on earth depends, but that it has dramatised as no body of knowledge has before that "everything is connected to everything else." This is Commoner's first law of ecology. It deals a body blow to the individualistic, atomistic view of man espoused by Hobbes and Locke and compels us to concentrate

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on man as a part of an organic social system, a community, a circle of inter-related facts and elements which are physical and psychological, rational and irrational, technological and spiritual, and which in truth is global in scope unlimited by any historical national boundaries.

This is a philosophical transformation about which we have no choice. That is to say it is happening, it has been happening for a long time, there is no going backward. The revolution has begun. Its ideological implication - that is to say its impact on the collection of traditional ideas which have given legitimacy and effect to our political and economic systems - is enormous.

Let me list some of the implications for our so-called private enterprise system and suggest some courses of action. We can divide the implications into three broad categories, those which are technological, those which are humanistic and those which have to do with nationalism as a system of world governance.

III.

First, the technological and here I shall be borrowing from Commoner's The Closing Circle, (Knopf, 1971): Nothing exists "apart from the thin dynamic fabric that envelopes the planet: its environment, the ecosphere." (65) "Air pollution....is a reminder that our most celebrated technological achievements - the automobile, the jet plane, the power plant, industry in general and indeed the modern city itself - are, in the environment, failures." (80) The problem is not with growth per se but with the particular technologies which have been employed to achieve growth especially since 1946. Commoner identified certain technologies which have grown most sharply since the end of World War II. The big gainers were such things as non-returnable soda bottles (53,000%), synthetic fibers (5,980%), mercury, aluminum, air conditioners, nitrogenous fertilizer, fuel consumption, high powered engines, detergents; linear technologies, the effects or products of which are tangential and disharmonious with nature's circle; the results of scientific effort to pull nature apart for specialized purposes without regard for the whole. (143) "The chief reason for the environmental

crisis that has engulfed the United States in recent years," he writes, "is the sweeping transformation of productive technologies since World War II....The environmental crisis is the inevitable result of this counter-ecological pattern of growth." (177) A steel can rusts and returns to nature; an aluminum can does not. "Ecological survival," he says, "does not mean the abandonment of technology. Rather it requires that technology be derived from a scientific analysis that is appropriate to the natural world on which technology intrudes." (189)

Philosophically we are reminded that the increasing ecological failure of technology derives from traditional scientific methodology - "the view that effective understanding of a complex system can be achieved by investigating the properties of its isolated parts."

We can see the radical implications of technological disharmony with nature for the private enterprise system with its linear sequence: investment for profit leading to new technology which in turn affords greater productivity, which is the major source of profit. It is important to note that:

- 1) It is not profit which is the problem; profit per se is ideologically neutral;
- 2) Pollution derives from technology which is a function of emphasis on productivity;
- 3) The vital trade-off is between the interests - the profit - of the whole - that is society - and the interests of investors; (258,259) and
- 4) The cost of retreat and reorganization are enormously expensive, particularly since many of the new high polluting technologies have greater profit rates than the older, less polluting technologies.

Further, it is becoming clear that the costs of environmental degradation have traditionally been born by the community. This was acceptable as long as economic growth and resources development was a clear and generally accepted good. Now it is clear that these costs will be introduced as part of the system

of production, increasing the costs of production, leaving us with a seemingly dismal choice of consequences: wage reduction, price increases, vulnerability to competition from those whose costs are lower. The difficulties inherent in any of these consequences are obvious, which leads us to come face to face with the enormity of the threat which business faces, the threat of bankruptcy.

The way out is narrow and obscure. The task is to find it as efficiently and as quickly as possible, minimizing dislocation and waste. Commoner says, "The real question is to discover what kind of social and economic order is best adapted to serve as a partner in the alliance with nature." (282) It seems obvious that this task will require a measure of community or collective planning which is inconsistent with our traditional ideas, the development and forced imposition of new technologies such as in the Clean Air Act amendment of 1970, and most importantly the recognition that production of goods and services is merely a part of a total environmental process, necessarily subservient to the good of the whole. The problem is not with profit per se; the conflict is between private or investor gain and the needs of the community, those needs having undergone radical transformation. The question is: By what political mechanism are we going to resolve the conflict and what are the criteria which the mechanism will use?

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Here we move to the antique world of "interest-group pluralism and archaic governmental structures. Do we rely on the emergence of perceivable crisis to provide the criteria for change by a government which moves primarily in response to the impact of a wide variety of self-seeking pressure groups? Or do we seek a more rational comprehension of the whole and the formulation accordingly of a comprehensive vision within which the role and function of all of the parts can be staged and planned? The first alternative is apt to result in more centralized governmental authority acting in a sporadic and pragmatic fashion, dousing ad hoc fires with minimum thought of long range effects upon the whole. The second alternative would allow the decentralization of authority

according to the task to be performed, having in mind the achievement of a gradual transformation toward a more satisfactory community. The first is the consequence of adherence to the remnants of traditional ideology; the second requires new ideology.

IV

The second category of implications flowing from the radical change around us I have called humanistic. It has to do with the relationship between the individual and the community, with his needs for fulfillment and happiness, with his motivation and his well being.

The enormous body of literature on this subject goes well beyond my competence. It extends at least from Plato and Aristotle to Jacques Monod (Chance and Necessity) and B.F. Skinner (Beyond Freedom and Dignity) with countless way stations and bypaths in between. Let me here only sketch some of my own observations in the context of their relevance to business organizations.

First of all, the idea of private property as the essential guarantor of individual rights has gone. It has been replaced by a right to income or the right to survival. That this profound ideological change remains obscure in the minds of many is attested to by Richard Nixon's remarks to the United States Chamber of Commerce last spring when he said: "If we were to underwrite everybody's income, we would be undermining everybody's character." (April 26, 1971) We are in fact in the process of underwriting everybody's income and have been for a long time. Whether or not it undermines everybody's character depends upon our ability to perceive and foster new definitions of and means toward "everybody's" fulfillment and dignity.

It is not that private property is not a right (the issue is not Marxist); it is that in today's urbanized, organized, complex environment, property rights are insufficient to guarantee the political and economic characteristics for which they were designed by Locke. As Barle and Means and the Project for Corporate Responsibility have shown, the definition of property has become obscure.

Is a large, publicly-held corporation property? Is a share of it property? Certainly not in any philosophical sense, regardless of what fictional substructure the lawyers may have been able to devise. The property which I do own - my TV set, my car, my house - brings no special rights or guarantees. The individualistic drive for the possession of property and for the full exploitation of its uses remains a motivating factor for some but it has been mitigated by numerous factors: its dwindling significance as a guarantee of political and economic rights; the increasing difficulty of such individualistic entrepreneurial pursuit in the face of huge organizations, the increasing conflicts between the pursuit and the community's social and ecological needs; and the fact that few men or women as a practical matter have the opportunity to possess that sort of property which insures political independence and economic freedom.

Secondly, along with the traditional idea of property has ~~gone~~ the idea of individualism associated with it: possessive, acquisitive, aggressive, atomistic Horatio Alger; the idea of the self-reliant loner battling it out in an open market where the fit survive. We are a community of large organizations, intricately interconnected, overwhelmingly inter-dependent and it is not likely to be otherwise. *original*

Thirdly, the failure to replace the old idea of individualism with a new, more workable one has resulted in malaise and alienation. The worker on the Detroit assembly line knows full well that he is not fulfilling the grand idea of individualism the promises of which he was probably informed early in life. The same goes for many Harvard College graduates. Too many young people are looking for what isn't there and never will be. They may search it out in some remote rural utopia but this is the route of the escapist in an age in which ultimately there is no exit short of death. There is no new world, no frontier, anymore.

Attention to a new concept of the individual is vital to the design of organizations within which a person can have a sense of fulfillment, a sense of identification and commitment. For the moment Japan is ahead of us here as we saw; maybe China is too; maybe other places. This should alarm us competitively, but it should not cause us to rail against their ideology so much as to examine our own.

The other day I was talking to three top managers of one of America's major corporate institutions. We were discussing its difficulties, particularly its increasing problems of absenteeism and lowering productivity. I said that I was concerned about the institution's survival. One of them said, "Oh, I'm not worried about that. After all nothing lasts forever. If it fails I am sure I can get a job elsewhere." He was speaking with the confidence of an old time individualist, and I must say quickly reversed himself when he thought about the implications of what he had said. If this company failed many others would undoubtedly go with it; there would be serious and widespread dislocation. The point is however, that such frail commitment on the part of a vice president, mirrored in equally frail commitment on the assembly line - blue collar blues and all that - combined with increasing external threats and demands may indeed be threatening the life of many corporate institutions.

The way out requires a redefinition of the relationship between the individual and society, or more specifically, the corporate institution. The first step in the redefinition is the recognition that the old idea of individualism is for the most part a useless antique; that for the majority of Americans a sense of fulfillment and happiness will derive from their place and participation in a purposeful, organic, social process; that this place should use their talents and capabilities to the fullest and that this participation requires that they have maximum involvement in the decisions by which the process is conducted and directed.

It follows then that some very traditional conceptions of internal institutional organization need to be re-examined. Foremost among these are the ideas of authority and contract, whether it be the informal contract that ties lower management to upper management or whether it be the formal contract that connects management to labor. In each case there is the question of the legitimacy of the authority which derives from the contract, informal or formal. In the old days, before about 1910, managers were for the most part owners or near enough to it so that it was clear that their authority derived from initiative, risk and creativity and from their unquestioned control over the uses to which they put their property. Today the management of large, publicly held corporations cannot rest its authority on such a basis. Managers emerge through a varied process which may or may not be fully understood or accepted by those beneath them. Consensus has gone.

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The idea of the contract grew out of individualism. That is, it was a convenient way to relate two individuals, one of whom wanted to buy some service while the other wanted to sell it. Until about the turn of the century the right of individualistic contract was strongly protected. If a child wanted to sell his labor to a mill owner, it was considered an infringement on individualism for the community to interfere. Similarly labor organizations were held to be conspiracies to violate individualism. But the pressures of social justice were such as to cause the community to place constraints on the free right of contract and so today we have a wide variety of restrictive social and labor legislation.

The modern collective contract connects two collectives, in both of which the place of the individual is increasingly obscure, the large amorphous "management" or "the employer" and the equally large and amorphous trade union. The philosophic individualism of the contract has thus eroded with the result that the individual does not feel himself connected to any perceivable entity, union, company, employer or owner. *

It is time to look afresh at all institutions, particularly corporations, and to strip away, as an old skin, the dead ideology. We would then see a collective process in which a variety of inputs enter into an organization of men and machines, which turns out certain outputs which the community needs. Some of the community needs will be best determined by competition in the market place; others as we have shown earlier require careful community judgement since they relate more to community needs than to consumer desires. The design of the producing collective can then be approached having in mind the needs of the human beings in it (the needs of the machines being given). Any organization needs direction; any direction requires authority; any authority requires legitimacy; any legitimacy requires a consensus. The authority of the pharaohs in the production of the pyramids rested on a religious consensus. The authority of Nixon rests on a political consensus. The authority of James Roche rests on a passing consensus.

The development of a consensus in the modern large corporation requires that all members of the corporate collective have a sense of belonging to it and that each can, to the limit of his ability, contribute to the formulation of decisions which affect the direction and conduct of the collective. This is what the dog food factory in Topeka was after. The techniques to achieve this sense of coherence are too complex and numerous to discuss here. I am reminded, however, of a friend of mine, a Marine battalion commander who in leading his troops near the DMZ felt it necessary to sleep on the ground in the open rather than on a cot in a tent, in order to develop the necessary consensus to keep his battalion a useful, motivated whole. In China there is not only workers participation in management; there is also management participation in work. That is the factory manager must from time to time sweep the floor to maintain the comprehensive identity necessary for a sense of individual fulfillment for all. This may sound like an irrational division of labor. Perhaps it is

unscientific. But one of the truths about the transformation in which we find ourselves is that it is unscientific in the traditional sense of the word science. It is an assertion that specialization, concentration on the parts, is not the way to a useful whole.

The costs of neglect are real. It is all too likely that worker malaise and discontent will bring increased pressure for wage increases which companies may well grant, hoping that money will buy satisfaction and thus productivity when in fact it won't.

The techniques by which we undo the concept of contract and the management and union institutions which rest on it and substitute new methods of consensual organization are at the moment beyond my powers to describe. I think, however, that it will happen and that with it will come increased commitment by the individual to the institution for which he works, of which he is a part. One word of caution: some managerial eyes light up at the prospect of a return to old time paternalism which superficially resembles perhaps the organization which I have been suggesting. Paternalism won't work because there is no father and there are no children. There are only a collection of human beings with different capabilities who are needed to perform different functions. How they are organized is something upon which they must generally agree. Perhaps the workers should select the manager in some cases. Perhaps a process of consensus-making is the way as in Japan where as you remember decisions are shunted up and down the line for widespread consideration before they are taken. Perhaps the collective team approach as in Topeka is the best. I don't know; it will vary.

Whatever the techniques this transition will place a serious burden on existing management which in many instances may be deciding whether or not to relinquish their own jobs and authority in the name of a more efficient and useful collective.

I have been speaking about the reorganization of the internal structures of corporate institutions according to a different interpretation of the needs of the individual. There remain questions of how the productive collective is to be related to others like it, to the community it affects and to the state.

Here my colleague Paul Lawrence has made some thoughtful suggestions for consideration and further study. Ideologically they reflect the passing utility of the old idea of competition.

- A new form of federal charter, perhaps something like that of COMSAT, which would allow the creation of business-government complexes, free from conventional anti-trust regulation, to provide for extensive planning and shared activity to meet community needs. Perhaps the development of nuclear fuels for commercial use could be handled by such an entity.

- A new set of rules under which industrial groups - paper, metal casting, or chemicals, for example - could be released from the threat of anti-trust charges when they collaborate for the development of environmental controls or for the handling of other externalities.

- "More clear-cut structural separation between the government's role as regulator in the public interest and its role as a purchasing agent of collectively consumed goods and services." Lockheed, I suppose, is the best example here or Boeing and the SST; that is situations in which government procurement or underwriting is mixed with a desire for certain community effects such as employment.

V

The third category of implications flowing from the change around us has to do with the role of the nation state. In our classes together and herein I have talked a good deal about the likely increase in the planning and priority setting function of government.

While this need is real, at the same time we can envisage the passage of the nation-state in the face of increasing pressures for world order.

These pressures are many: the ecological reality - we are all encased in the same biosphere which knows no national boundaries - the convergence of ideologies toward some distant omega following the thought of Teilhard de Chardin, the decline of formal systems of religion and behavior. Jacques Monod, the French micro-biologist, has said "Man knows at last that he is alone in the indifferent immensity of the universe, whence he has emerged by chance. His duty, like his fate, is written nowhere." (interview in the New York Times, March 15, 1971)

On the other hand the pressures against world synthesis remain strong also: Soviet missiles versus U.S. missiles, the nationalism of the pre-nation states of Latin America, Africa and Asia, the divisions between the rich world and the poor, and continuing ideological differences. It would be my guess, however, that we will move toward what William Thompson (At the Edge of History) has called "a new planetary consciousness" much faster than many suspect. Certainly such a consciousness is one of the most pervasive characteristics of young people today.

I would also predict that it will be business, not government, which will be the principle agent of this planetary consciousness. In fact governments will be the last to come along, because their political and bureaucratic interests are closely tied to the preservation of national structures and the perpetuation of archaic notions of sovereignty.

Already we have seen the impressive rise of the multinational corporations, which do business in many countries at many different stages of development, and are managed and financed by men and money from many different countries. While many multinational enterprises are thought of as U.S. companies, Raymond Vernon has pointed out that their identity is likely to become more and more ambiguous.

And many of these companies try hard to escape national identity for one reason or another. They are a reflection of the internationalization of production, of the need to employ world resources to meet world needs. They treat the world as a basic economic unit. So it is that Americans and Frenchmen are combining to capture natural gas being flared in Algeria in order to sell it to many markets of the world. The profound ideological differences between Algeria and the United States are but a slight obstacle to this combination.

So if we have gone this far, why not go further? Let us contemplate a truly world corporation, chartered not by one country but by the world, a supranational chartering agency established by agreement among nations. George Ball and Roy Ash, among others have proposed such a plan. (See Ash, Columbia Journal of World Business, March-April 1970). The whole world will be its production place as well as its market. It will be perceived, says Ash, "first in its transcendental unity, and only secondarily in its national diversity." Taxed by a world chartering agency, it would make a return on capital invested from different countries in various forms as appropriate. The tax revenue from such corporations would be used by the world for world purposes.

How do we do it? With a grant from international corporations and/or foundations we might identify an outstanding manager from say China, France, the USSR, Japan, Colombia, Tanzania and the United States. To start with, we could get them together and ask them to do several things: select a product, identify production sites, plan the production process, identify possible sources of capital and potential markets, and finally define the characteristics of a world agency which should be established to charter their corporation, the regulatory and taxing authority, which the agency would need, reporting procedures etc. The next step would be to establish simultaneously the chartering agency and the world corporation.

Imagine the flow of experience and knowledge from such an experiment!

Imagine the possible consequences. Energy, for example. Will there not surely be an energy crisis in the industrial world? Will there not be increasing demands for scarce energy from the less developed world? How is the conflict to be decided? Would it not be at least possible to conceive of the internationalization of energy? Could there be a better way to insure world order, to control armaments, to guarantee peace? An offender could just be unplugged. Utopian? Undoubtedly. Foolish? I don't think so.

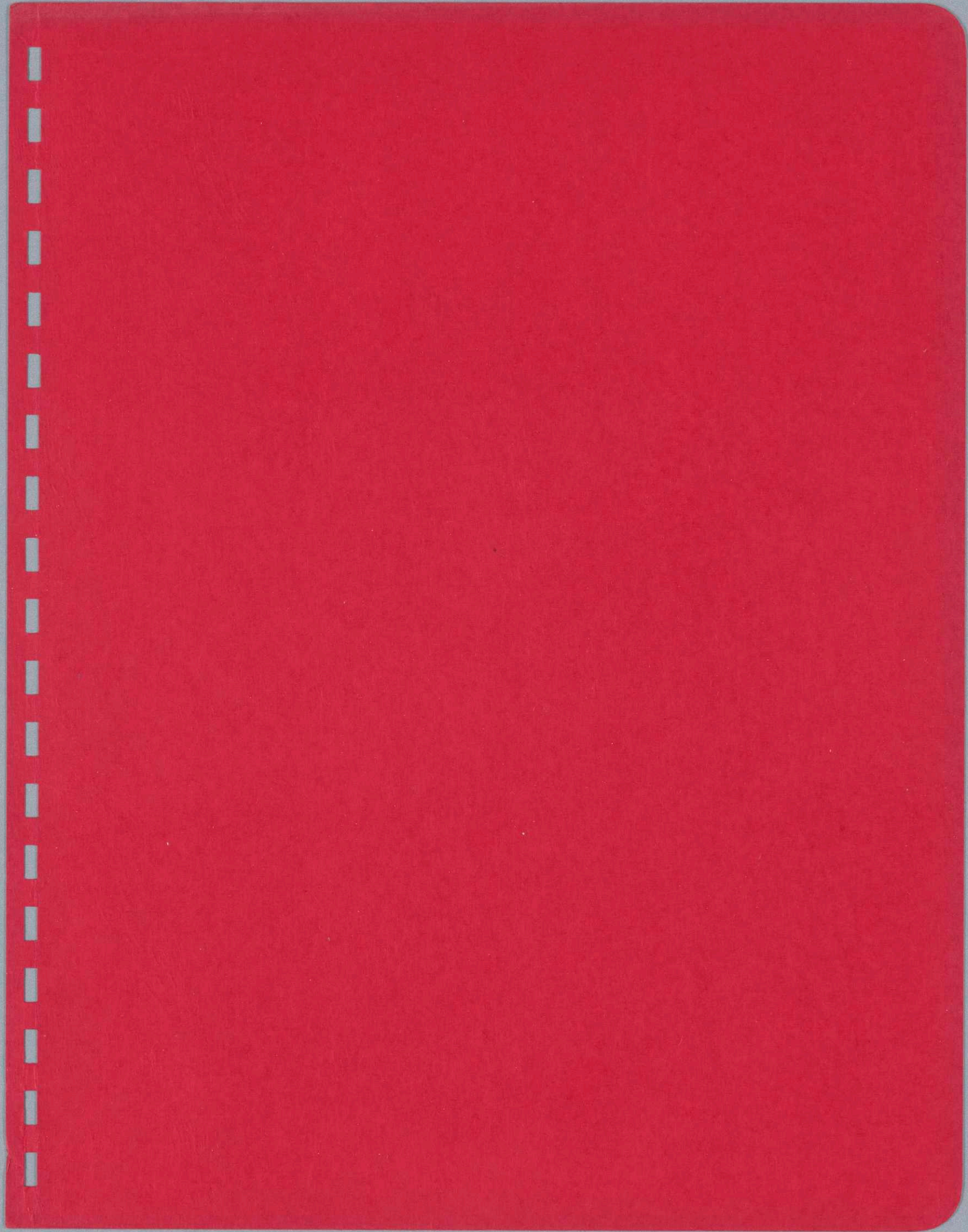
VI

Let me close by reminding you of the distinction between values and ideology which we discussed in our third class together. There are values which are of over-riding importance and which indeed have a certain timeless universality about them. They are in themselves non-controversial. They are survival, love, creativity, dignity, freedom, justice and so on. At different points in time, in different communities they are carried to the real world over different bridges, different philosophical and religious systems, different ideologies. For quite a long period of time the ideological bridge which we have used to carry our values into reality has been eroding. It is collapsing and being rebuilt at the same time. After all, it is the values which are important; it is not the bridge. The trial of our times is to make this distinction clearly, to focus on the values which we cherish and to construct an appropriate collection of ideas and institutions to give them meaning. Undue loyalty to the traditional forms of the latter can kill the former.

In a time of such confusion and change there comes a real problem of hope. This is perhaps the most pervasive problem for young people today, and perhaps for some of us oldsters as well. Are we not the slaves of unmovable institutional forces who seem to have a life of their own which like Hal in Two Thousand and One is beyond human control? If so, there is no meaning in life beyond the immediate experience. In a society so dominated there can be no change, no hope.

Erich Fromm speaks of another variety of hope which he calls "passive hope," the endlessly waiting Kafkaesque figures who sit at the door of the impenetrable bureaucracies trusting pathetically that the door will be opened and right done, only to die unfulfilled. "They hope," says Fromm, "but it is not given to them to act upon their heart's impulse, and as long as the bureaucrats do not give them the green light they wait and wait." (The Revolution of Hope, Harper and Row, 1968, p.7) (The Spanish word esperar means both waiting and hoping; it clearly refers to this passive hope.)

There is another category of hope with which I hope we can leave this room. It means "to be ready at every moment for that which is not yet born, and yet not become desperate if there is no birth in our lifetime. There is no sense in hoping for that which already exists or for that which cannot be. Those whose hope is strong see and cherish all signs of new life and are ready at every moment to help the birth of that which is ready to be born." (p.9)



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