

## Chapter 11

**Plutocratic Leadership****§ 1. The Plutocracy**

This chapter begins by explaining what "plutocratic organization" means. Then it examines why all plutocracies are inherently unsustainable in the long run and eventually fail as Enterprises. Like Toynbee's civilizations, they fall from within and for the same reason, namely the social disintegration of their community. If the organization operates in the predatory environment of competition, this breakdown enables its competitors to destroy it. If it does not, it merely rots to death from within. The instrument of its downfall is its class of rulers, the plutocrats, and the means of its self-destruction is incompetent governance of leadership.

Webster's Dictionary defines "plutocracy" as

**plutocracy**, *n.* [from Gr. *ploutos*, wealth; and *kraein*, to rule.]

1. governed by the wealthy.
2. a government or state where the wealthy rule.
3. a group of wealthy people who control or influence a government.

From this we obtain the dictionary definition of a plutocrat:

**plutocrat**, *n.* [from Gr. *ploutos*, wealth; and *-crat*.]

1. a member of a wealthy ruling class.
2. a person whose wealth gives him control or great influence.
3. any wealthy person [colloq.].

The word "wealthy" derives from a Middle English word<sup>1</sup> that meant "the state of being prosperous." It is a term that has meaning only in a relative social context. Although customary usage today has made it a synonym for rich<sup>2</sup>, we will distinguish between "the wealthy" and "the rich" in our terminology, using the latter word to denote "the wealthiest of the wealthy." Thus, we will regard the colloquialism of definition 3 above as an improper usage of the word plutocrat.

In a typical large organization, the managers as a class are typically paid for their labor at compensation rates above those paid to the productive laborers and, not infrequently, well above those rates. They are, relatively speaking, the wealthy class of laborers in the organization, and in a plutocracy they constitute the class of plutocrats. A *plutocrat aspirant* is a person who aspires to become a plutocrat in our refined sense of definitions 1 or 2 above. The peculiar characteristic that sets our use of the terms plutocrat and plutocracy apart from the state of merely being rich is

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<sup>1</sup> *weltha*, from *wele*, well, plus the suffix *-th*, denoting condition or state.

<sup>2</sup> the word "rich" comes from the Middle English word *riche*, noble or powerful.

in the idea of acting *to rule*. A David Packard, even though a very rich man, is not a plutocrat; a George Pullman, Andrew Carnegie, or Carly Fiorina is a plutocrat. The key distinction is that a David Packard is a citizen of an Enterprise, a Carly Fiorina is an outlaw.

The term ***plutocratic leadership*** means the character of the leadership dynamic in an entity managed or administered by methods, tactics, and attitudes of *rulership* on the part of those whose enterprises are carried out in management positions, especially in the higher-ranking management positions within the entity. In those cases where the entity is a stock corporation, we extend this group to include any shareholder or director who exerts direct control on the actions of the managers of the entity. A person whose tenets of leader actions are characterized by rulership is a plutocrat or a plutocrat aspirant regardless of the quantity of personal stock of goods he possesses rightfully. An Enterprise ruled by plutocrats is a ***plutocratic Enterprise***. It is generally short-lived as an Enterprise and soon disintegrates into a plutocratic entity or disappears entirely. A ***plutocracy*** is any entity ruled by plutocratic methods.

The significance of plutocracy goes beyond the mere attitudes of the Pooh-Bah in an authority figure position. A community in which some members are given decision-making powers that can be used to intimidate other members and subsequently use that power to influence their actions is a community where devolution into at least partial state-of-nature relationships will take hold. This detrimentally affects the mores and folkways of the community to the point where it is without real meaning to speak of such things as loyalty to the organization and where members hold themselves to no duties to the organization. If a community violates the civil rights of one of its members, *that member can morally withdraw his obligation to the community* on the ground that the association has breached the social contract. If he remains within the to-him-now-merely-geographic community, he is an outlaw and Toynbee proletarian but not a criminal.

Rulership is a species of leadership. To make its idea distinct, we give the term and its related idea of ruler the following real explanations:

**rulership:** the relationship between a leader and one or more followers in which the self-determinations of behavior by the follower are grounded in tenets of duties to himself conditioned by precepts of self-protection from possible actions the leader is at liberty to take unilaterally. The follower is said to be *subjugated* by rulers.

**ruler:** a leader whose leader actions are predicated on tenets of a rulership relationship between himself and the follower or followers, and who is at liberty to unilaterally take actions the follower or followers judge to be detrimental to their own welfare and purposes.

In most cases of plutocracy there is a rulers' caste, i.e. some group of people empowered to rule, who share more or less common tenets of rulership, but among whom there is not necessarily an equal division of power to effect ruler's actions. If there is a hierarchy of rulers with one person

situated at the apex of this hierarchy, that person is the *despot*. Otherwise, if the apex of the hierarchy is some designated body of people, they are the *oligarchs*. If a body of oligarchs is appointed or elected democratically and obtain their power to act as rulers from a tenet of rule in the name of those who elected them, the entity is called a *perverse democracy* even if the oligarchs are elected by a majority of the members of the association. Again, the key distinction in such an entity resides in the use of rulership as the principal means for the governance of leadership in that entity. If the entity is still an Enterprise – that is, if its social contract has not yet broken down due to institutionalized Toynbee enormities – it is a plutocratic Enterprise in a state of perverse democracy and this perversion of democracy sows the seeds for nucleation of an internal Toynbee proletariat.

There is a very fine but important distinction between the idea of rulership and the idea of sovereignty that must be drawn if either term is to be used with precision in a social-natural science. Drawing the required distinction is made the more challenging by the historical evolution of the English word *sovereign*, an adjective from which the noun form and the related noun *sovereignty* are descended. The typical ambiguity of usages found in other words in any language is presented in this case as well. From Webster's Dictionary we have the following trio:

**sovereign**, *a.* [ME *soveraine*, *sovereyn*, from OFr. *soverain*, from LL. *superanus*, from L. *super*, above, over.]

1. above or superior to all others; chief; greatest; supreme.
2. supreme in power, rank, or authority.
3. of or holding the position of a ruler; royal; reigning.
4. independent of all others; as, a *sovereign* nation.
5. excellent; very effectual, as a cure or remedy.

**sovereign**, *n.*

1. one who exercises supreme power; a supreme ruler; the person having the highest authority in a state, as a king, emperor, queen, etc.; a monarch.
2. a group of persons or a state that possesses sovereign authority.
3. any of several gold coins.

**sovereignty**, *n.*

1. the state or quality of being sovereign.
2. the status, dominion, rule, or authority of a sovereign.
3. supreme and independent political authority; as, state *sovereignty*.
4. a sovereign state or governmental unit.

Even a casual inspection of these dictionary definitions suffices to illustrate the same sorts of homonymous usages as we have seen previously in other important terms. It is this ambiguity that opens the door to sophistry and more or less invites its use. Hobbes used the term *sovereignty* to apply to a monarch and championed the use of rulership in the governance of nations. Montesquieu made a slightly less extreme usage of it but one that on the whole stood closer to

Hobbes than to Rousseau. Rousseau undertook to redefine the term within the context of a people united by association in a social contract who hold the supreme authority to govern themselves:

At once, in place of the individual personality of each contracting party, this act of association creates a moral and collective body composed of as many members as the assembly contains voters, and receiving from this act its unity, its common identity, its life, and its will. The public person, so formed by the union of all other persons, formerly took the name of *city*, and now takes that of *Republic* or *body politic*; it is called by its members *State* when it is passive, *Sovereign* when active, and *Power* when compared with others like itself. Those who are associated in it take collectively the name of *people*, and severally are called *citizens*, as sharing in the sovereign power, and *subjects*, as being under the laws of the State. But these terms are often confused and taken one for another. It is enough to know how to distinguish them when they are being used with precision. – Rousseau, *The Social Contract*, I. 6

In understanding Rousseau's context it is important to bear in mind that he limited it to only the sort of social contract having the terms and conditions he set down in *The Social Contract*. He did not intend for this explanation of sovereign or the related term sovereignty to apply in every context where merely *any* sort of contract or contracted understanding was present. It had to have the connotations and terms of what he called *the Social Contract*. He introduced sovereignty as an idea in his theory in recognition of the fact that governance is necessary if the cohesion and unity of a group of individuals is to be sustainable. He introduced the idea of *the subject* into his theory in recognition of the fact that if there is to be any expectations of authority and reciprocal duties owed by citizens to the collective body politic of a republic, it is necessary that the people who form such an association voluntarily submit themselves to being governed *so long as and only to the extent that the actions of the governors do not breach or violate the terms of the social contract*.

Rousseau, a romantic and in many ways an impractical man, had difficulty applying his own dictum of having to "know how to distinguish [these terms] when they are being used with precision." The ambiguities he thereby planted in *The Social Contract* have been meat for scholars and critics of his idea ever since, and have supplied propaganda ammunition to foes of his idea. We have to do better than he did in this treatise.

How, then, are we to understand a social-natural *Realerklärung* for the idea of sovereignty? How are we to understand the same for the ideas of sovereign and *a* sovereign? Rousseau does provide us with an important hint when he calls the body politic "a moral and collective body." What this hint tells us is that the essence of the ideas of sovereignty and sovereign is bound up with the idea of *rights*. Rulership is a dynamic – a species of leadership. ***Sovereignty is the idea of the supreme right to govern a collective body politic***, whether that body politic is understood in the context of a political unit (a state or nation), an Enterprise, or as any other type of entity.

This idea of sovereignty as a *right* subsists in all historical usages of the term. It underlies, for example, the efforts of Hobbes, Locke, Montesquieu, and many others to set some foundation for the right to govern in their theories. The glaring hole in attempts to apply the term to the despotisms of ancient kingdoms is the groundless proposition that there is any such thing as the right of might or right by conquest or force. In every case of historical importance, apologists for this position found themselves having to take the last resort of grounding this so-called "right" in a divine being – hence the genesis of the empty propaganda slogan "the divine right of kings." As Rousseau correctly pointed out, bestowal of any rights of any kind is a matter of a social convention, and without such a convention the idea of rights is empty and devoid of real meaning. He wrote,

Since no man has a natural authority over his fellow, and force creates no right, we must conclude that conventions form the basis of all legitimate authority among men.

If an individual, says Grotius, can alienate his liberty and make himself the slave of a master, why could not a whole people do the same and make itself subject to a king? There are in this passage plenty of ambiguous words which would need explaining; but let us confine ourselves to the word *alienate*. To alienate is to give or to sell. Now, a man who becomes the slave of another does not give himself; he sells himself, at least for his subsistence: but for what does a people sell itself? A king is so far from furnishing his subjects with their subsistence that he gets his own only from them . . . Do subjects then give their persons on condition that the king takes their goods also? – Rousseau, *The Social Contract*, I. 4

Under the Revolutionary-era idea of the American Republic, as well as under Mill's idea of representative government, sovereignty is vested in the citizens of the nation and in terms congruent with Rousseau's social contract. It is worth noting, however, that this investment stands in a contrary relationship to the basic principle of democracy, namely the principle of majority rule. One author who bluntly pointed out this contrary state of affairs was Henry David Thoreau:

Unjust laws exist: shall we be content to obey them, or shall we endeavor to amend them, and obey them until we have succeeded, or shall we transgress them at once? Men generally, under such a government as [that of the United States] think they ought to wait until they have persuaded the majority to alter them. They think that, if they should resist, the remedy would be worse than the evil. But it is the fault of the government itself that the remedy is worse than the evil. *It* makes it worse. Why is it not more apt to anticipate and provide for reform? Why does it cry and resist before it is hurt? Why does it not encourage its citizens to be on the alert and point out its faults, and *do* better than it would have them? – Thoreau, "Civil Disobedience" (1849)

Thoreau did not leave us to guess where he stood on the matter:

This American government, – what is it but a tradition, though a recent one, endeavoring to transmit itself unimpaired to posterity, but each instant losing some of its integrity? . . . Governments show thus how successfully men can be imposed on, even impose on themselves, for their own advantage. . . . The character inherent in the American people has done all that has been accomplished; and it would have done somewhat more, if the

government had not sometimes got in its way. For government is an expedient by which men would fain succeed in letting one another alone, and, as has been said, when it is most expedient, the governed are most let alone by it. . . .

After all, the practical reason why, when the power is once in the hands of the people, a majority are permitted, and for a long period continue, to rule, is not because they are most likely to be in the right, nor because this seems fairest to the minority, but because they are physically the strongest. But a government in which the majority rule in all cases cannot be based on justice, even as far as men understand it. Can there not be a government in which majorities do not virtually decide what is right and wrong, but conscience? – in which majorities decide only those questions to which the rule of expediency is applicable? Must the citizen ever for a moment, or in the least degree, resign his conscience to the legislator? Why has every man a conscience, then? I think that we should be men first, and subjects afterward. It is not desirable to cultivate a respect for the law so much as for the right. The only obligation which I have a right to assume is to do at any time what I think right. It is truly enough said that a corporation has no conscience, but a corporation of conscientious men is a corporation *with* a conscience. Law never made men a whit more just; and, by means of their respect for it, even the well-disposed are daily made the agents of injustice. [*ibid.*]

Because sovereignty is a right granted only by social convention, it immediately follows that there is no such thing as sovereignty in a pure state of nature. Even within a Toynbee society, when there are gaps in its social compact and where there are instances uncovered by any clause in a social contract, there can be no right of sovereignty regarding these uncovered matters among individuals because none is granted *by these individuals* to one another.

Most entities take for granted: that the legal code of the larger society from which its people are drawn is to be accepted by all as the only specific social contract for leader-follower relationships. If that legal code contained no unjust laws, this presumption could be defended. But since no country on earth has a legal code meeting the standard – that of full faith and credence with the social contract that binds the society as a whole into one body politic and one nation – this presumption is impertinent. Most Western countries today permit, and even legally sanctify, *outlaw* relationships in matters of commerce and industry. These are relationships that are fundamentally in conflict with the political social contract of its constitution. In the case of the United States, these legal sanctifications are in conflict with the prime objectives of American government for establishing justice, ensuring domestic tranquility, promoting the general welfare, and securing the blessings of liberty. Such unjust laws arise and are perpetuated by un-republican characteristics of the monarchy-inspired paradigms of the Industrial Revolution. No person is obliged to duty by an unjust law because *the justification of law is to serve justice* – and justice in any society is defined by fulfillment of the condition of its political social contract. That which is contrary to realizing the condition of the social contract is *unjust*; *justice* is the negating of anything that is unjust.

The two fundamental formal characteristics of plutocracy are: (1) recognition of *only* the legal

code of the larger society in which it exists as the complete basis of social contract among the participants in the entity; and (2) *presumption of an implied right* to designate and empower particular members of the entity to manage its affairs *through rulership* in all instances not specifically covered by the legal code of the society.

Most small Enterprises – e.g., a bookshop, a cabinet-makers' firm, a lumber yard, and most other instances of what are commonly called "small" or "family" businesses – originate as plutocracies and most continue to operate as such. In many instances, the Enterprise lasts only so long as the founder's lifetime, his working lifetime, or for a few generations of his family. The fact that a small Enterprise is a plutocracy does not necessarily result in its management acting despotically because in most cases the only manager of the Enterprise is the person whose capital investment founded it. Whether the Enterprise manager *acts* as a despotic plutocrat then depends upon his personality and private deontological ethics. His personality, his business acumen, and his leader's skills are the principal factors in determining if the Enterprise succeeds or fails in the short and intermediate runs. These same factors likewise are determining factors for those commercial Enterprises that grow beyond this smallest scale into larger entities in competitive market environments. As they grow the tensions of rulership build up. Andrew Carnegie wrote,

Two men or two combinations of men will erect blast-furnaces, iron-mills, cotton-mills, or piano manufactories adjoining each other, or engage in shipping or commercial business. They will start with equal capital and credit; and to those only superficially acquainted with the personnel of these concerns, success will seem as likely to attend the one as the other. Nevertheless, one will fail after dragging along a lifeless existence, and pass into the hands of its creditors; while the neighboring mill or business will make a fortune for its owners. Now, the successful manufacturer, dividing every month or every year a proportion of his profits among his workmen, either as a bonus or as dividends upon shares owned by them, will not only have a happy and contented body of operatives, but he will inevitably attract from his rival the very best workmen in every department. His rival, having no profits to divide among his workmen, and paying them only a small assured minimum to enable them to live, finds himself despoiled of foremen and of workmen necessary to carry on his business successfully. His workmen are discontented and, in their own opinion, defrauded of the proper fruits of their skill, through incapacity or inattention of their employers. Thus, unequal business capacity in the management produces unequal results. – Carnegie, "An Employer's View of the Labor Question," in *The Gospel of Wealth & Other Timely Essays*

Although he never used the term, this Carnegie recipe for successful Enterprise is a feature of that which we are calling *republican Enterprise*, which we discuss in the next chapter. His words quoted here carry a grim warning for plutocracies, but to appreciate the warning we must examine the social-natural character of plutocratic entities.

## § 2. The Source of Social Breakdown in Plutocracies

A despotic plutocracy can endure for many years at the hands – or, if one prefers, under the heels – of a few generations of despots. History provides many examples of this. All of them will

eventually fall and disappear. Often, especially in commercial entities, the plutocracy falls far sooner, within the lifetime of the founder. Why? That is the question we now explore.

There are, of course, numerous instances where failures of entities can be directly laid to simple incompetence from a lack of the skills necessary to win success. A great many small businesses go out of business from incompetencies (shortcomings) in the personal power of their founders. But the greater historical scope of plutocratic failure cannot be laid to the accidents of individual incompetence. Something more subtle and deep-lying is, instead, the ground for this appearance of universal character in the enterprises of humankind. As it happens, the metaphorical clue to its identity has been in the hands of Western civilization since at least the twelfth century in a saying attributed to St. Bernard, later restated by John Ray, and in more recent times given voice by C.S. Lewis:

Hell is full of good intentions or desires. – attributed to St. Bernard

Hell is paved with good intentions. – John Ray, *English Proverbs*, 1670

The safest road to Hell is the gradual one – the gentle slope, soft underfoot, without sudden turnings, without milestones, without signposts. – C.S. Lewis, *The Screwtape Letters* (1941), letter 12

For societies as for enterprises, this metaphorical pavement and gentle slope arises from a single social-natural fault: a community's fatal social negligence leading to the eventual extinction of civics practices in its association.

A few years ago, your author asked a group of college students from across the United States, ranging in age from freshmen to juniors, what had been taught in their civics classes when they were in junior high or high school. The students were, without exception, top students in the upper five percent of their classes at their home institutions and represented a cross-section of large and small public institutions of higher education.

His curiosity had been prompted by his notice that no civics courses of any kind were offered at his university, nor at any university he had attended, and so he was curious as to what sorts of civics lessons young people were receiving at the foundational levels of public education. He rather expected to hear them recount such things as lessons in how the government was organized, national and state constitutions, legislative processes, elections, and the like. To his surprise – and, to be frank, to his alarm – *not one single student even knew what the word "civics" meant*. It was a completely new and puzzling word to them. Some guessed it had something to do with social studies, others guessed that perhaps it had something to do with religion or etiquette. Not one of them connected it to any idea of ethics, citizenship, or government.

**Civics** is the branch of political science dealing with civic affairs and the duties and rights of

citizenship. *Civic affairs* are the affairs of a city, of citizens, or of citizenship. These are related to *civil affairs*, which are affairs pertaining to the *community* of citizens. One can draw a sufficient practical distinction between the adjective *civic* and the adjective *civil* by saying the first pertains to the individual, the second to the whole of the community of individuals, in their capacities as citizens. Judging by the responses of these students, it would seem that education on the subject of civics has disappeared from American public education sometime during the past forty-five years. Your author knows from personal experience that once it *was* part of public education.

A general understanding that the intangibles of civics are a vital part of the community of any Enterprise has been absent for much longer than this, despite the fact that propaganda invoking the term prejudicially to the advantage of one group over another has been going on apparently for at least as long as the days of the Industrial Revolution. It has not been universally absent inasmuch as there are example communities where informal, if not formal, civics considerations are put into practice as part of the governance of leadership within the Enterprise. Maquoketa provides an example. The *vitality* of these intangibles – and vitality is quite literally the proper word to use here – has, on the other hand, usually been too little appreciated.

To be a citizen of any community means to be an individual bound to and by that community through the self-assumption of an obligation to the community in exchange for benefits arising from its mutual obligation to the individual – in other words, to have entered into a social contract with the other citizens of that community. The essence of this social contract is as Rousseau stated it and this treatise has discussed it. In it there is a term and a condition, and both must be held inviolable if the social contract is not to be breached. It is vital that every citizen of the community fully understand the term and the condition:

1. *The term:* Each individual puts his person and all his power in common under the supreme direction of the general will, and, in the corporate capacity of the community, all citizens receive each member as an indivisible part of the whole.
2. *The condition:* The association (community) will defend and protect with the whole common force the person and goods of each associate in such a way that each member, while uniting himself with all, may still obey himself alone and remain as free as he was prior to joining in the association of the community.

The principal, and formidable, difficulty encountered in the practice of social contract theory resides in the innocent-sounding but dreadfully daunting phrase, "the general will." What *is* "the general will"? The practical validity of mutual relationship in the social contract hinges upon the objectively valid *Realerklärung* of this idea – and obtaining such a *Realerklärung* has always been the most formidable obstacle in realizing the idea of the social contract. Yet this is the *sine qua non*; without it, Rousseau's entire thesis falls to pieces. It is, or should be, apparent even to

casual inspection that this question of "what is the general will?" is nothing else than the question of how to effect the governance of leadership in the community in such a way as to satisfy both the term and the condition of the social contract.

At this point in discourse, an author faces a choice of how to best proceed. One option is to simply state the Critical answer to this question and follow up on its consequences. The other is to exhibit the classical difficulties and issues that attend previous attempts to answer it, illustrate the problems these false or insufficient answers produce, and thereby make provisions for deeper understanding of the essential conditions required of the sought-after answer. Your author has chosen the latter course because the body politic formed by the social contract is, as Rousseau said it must be, a corporate *moral* entity. However, the objective validity of this idea can never be other than a *practical* objective validity, and this means the morality of the community can never be anything else than a *deontological* morality. But, at this time, very few people understand or have even heard of deontological ethics, are accustomed to presuppositions and prejudices of ontology-centered ethical theories, and these presuppositions and prejudices put up a barrier so conducive to closed-mindedness that an author would be foolishly impractical if he ignored dealing with it as his first order of business.

Rousseau failed to adequately answer the question; Mill failed to adequately answer the question; later philosophers by and large have failed to adequately answer the question; every major religious community has failed to answer the question; and even Kant – having made his ontology-centered error of mistaking the pure practical categorical imperative for "the moral law within me" – failed to adequately answer the question. In every instance, the failure has been due to trying to use ontology-centered presuppositions and prejudices in attempting to lay the groundwork. Against such an unbroken track record of failure, it is mere prudent common sense to deal with the fallacies first and postpone providing the Critical solution until the next chapter.

In social-natural political science the topic of civics must be, like all topics of social-natural science, firmly grounded in the mental physics of human nature. The condition of the social contract takes the strength of its imperative from basic duties to himself the individual makes, and these duties are understood by the individual in terms of objective tenets of his own welfare. Above basic necessities for survival and self defense, which are always understood by theoretically categorical imperatives, these duties also answer to all the affective influences of reflective judgment in desirations for: experientially-discovered comforts; Self-ideals, such as ideals of personal honor and self-respect, associated with the "feel good" satisfactions of what Adams called Emulation; actions of repugnancy responding to feelings he associates with particular people who he regards as objects contrary to (often Platonic) ideals of what a "good

person" should be; actions responding to desires collectively characterized as self-love that he associates with conceptualizations of himself (as being a representative "good person"); actions for the sake of the well-being of people for who he has formed deep attachments; retributions in answer to concepts of "wrongs" done to him by others; and a host of other such factors. Self-made tenets of prudence and pragmatism move him to consider allying himself with others he usually regards as "like-minded" and aligning himself against other people "not like himself."

Sociability, in the context of "affection for one's fellow man" or other such expressions, is, contrary to long-held dogma, *not* an innate human quality of character. It *is*, however, a very basic by-product of experience that arises from the helplessness of the infant and very young child. Simply put, the tender and beneficial administrations of the child's caregivers early in life lead to very basic beliefs and practical rules formed because of the child's acts of reflective judgment that are stimulated by the care-giving he has received early in his life. As none of us can survive those earliest days, months, and years without this external help, the *presence* of such practical and theoretical constructs in the manifolds of rules and of concepts is universal among human beings. That the sociability is a by-product of experience rather than an innate characteristic of being human is demonstrated by consequences of inadequate care-giving during this early part of life, the most severe manifestations of which are known as autism. In many instances of autism, there are physiological factors at work that impair the functions of reflective judgment compared to the functionality found in most people; but there are also instances of what we might call unintentionally-induced autism that results simply from inadequate care-giving. The work of, e.g., Greenspan and others have documented the psychiatric evidence of this species of autistic development. *Anti-sociability*, the complete "turning inward" of one's entire focus and attention to oneself, is the trademark characteristic of autism. Its treatment and reversal is, as Greenspan's work demonstrates, both difficult and, at root, dependent upon the careful stimulation of reflective judgment. The real *Dasein* of actual instances of non-pathological autism proves the thesis that sociability is not an innate human trait because, as Aristotle wrote in the *Nicomachean Ethics*, "nothing that exists by nature can form habits contrary to nature."

It is because of this that the individual's self-determination to enter into obligation under a social contract is grounded in maxims comparable to treaties of peace and alliance entered into by nation-states. Because these maxims serve duties to himself, the individual *requires* reciprocity in kind from the other members of the association (the condition of the social contract). In exchange – if he *in fact* self-assumes the obligation to the association its other members expect of him – the individual understands the practical reason and the necessitation of the *term* of the social contract. Part of this understanding, if the contract is to have real sustainability in the community, must

include the understanding by each member that every member *is at liberty* to withdraw his obligation *if* the community fails to fulfill its reciprocal duties-in-kind, and, furthermore, that each member *is actually under a deontological duty to himself* to withdraw his obligation if the community fails, *in his opinion*, to measure up to its duties.

This is called *moral secession* from the association. The relationship between the moral secessionist and the rest of the community is the *outlaw relationship*, which is nothing else than relationship in the state-of-nature. Two points must be stressed here. First, an individual who once really did take upon himself the mutual obligation of a social contract is not at *civil* liberty to withdraw his obligation without cause. This cause, in turn, can never be anything else than failure of the community to fulfill the reciprocal duties owed *as an association* to each of its members. This is the binding premise of all social contracts.<sup>3</sup> Whether or not the community has so failed *will always be in the judgment of the person who secedes*, a fact that segues into the discussion in the paragraphs below. The second point is: that the outlaw relationship is a mutual relationship. The community is as outlaw to the individual as the individual is to it. Any contention that "justice is on the side of" either the community or the individual is a vain and empty proposition because their relationship has reverted to the state of nature and *in the state of nature there is no such thing as justice*.

And here we come to one of the fundamental factors underlying failure to sustain social contracts, namely the individuality of judgments concerning the *right* of moral secession. A duty is always the matter of an obligation, and, as *matter* to obligation's *form*, is always represented by concepts in the manifold of concepts. Furthermore, in terms of Relation in the contextual *nexus* of concepts in this manifold, a duty to the association is a theoretically-hypothetical imperative held-to-be a theoretically-categorical imperative. What this means is that the individual regards the duties owed to him by the association as *categorical* imperatives, and that non-violation of these imperatives by the association is the condition of the *hypothetical* imperatives of duty he holds *himself* owing to the association. Put another way, the individual regards *his* duty to the association as *necessitated*, but regards *its* duties to him as *necessary*: "If I am to do *these* things, you *must* do those things, and *if you do* then I *am obliged* to do these things."

The monumental practical difficulty in this is, of course, the fact that the Object the individual regards as owing duties to him is an abstract entity – "the community itself." He expects a

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<sup>3</sup> We will deal separately with the deontologically distinct case of the criminal. Briefly, an individual who unilaterally withdraws his obligation to the community *without* deontologically valid cause is a criminal. Every person has the *natural* liberty to do this, but this natural liberty is one of those he agrees to *alienate* in exchange for the civil liberty of moral secession when he takes the action of entering into the social contract. The exercise of that *natural* liberty without just cause harms the association and thus is a crime.

fulfillment of duty by something that has an intangible *Existenz*. The community is the *noumenal* object of an idea; its real *Existenz* subsists in the cooperative actions of all the people associated in it. The actuality of *individual actions congruent with conventional general standards of expectations for corporate civil actions* "by the community," and predicated in reciprocal duties of association, grounds the *Realerklärung* of ***citizenship in the community***. Real citizenship is neither an entitlement nor a state-of-being. It is a social dynamic of relationship and it subsists *only* in the practical actions of the individual who realizes it (*makes it actual* by his actions). To *call* someone a citizen is to give him a mere title or label comparable to calling a Pooh-Bah a leader; whether a person is *actually* a citizen or not depends on his own specific real actions taken in the context of the social dynamic of citizenship.

And here we are confronted by a fundamental practical fact. There can be no real citizenship in the absence of a *specific* convention defining what is to be consented to as *general* expectations of duties for the maintenance of the community of the association. Forging and establishing such a convention is the action classical political theorists meant by the phrase "making a constitution" for a community, city-state, or nation. A constitution is a documented agreement entered into by all *citizens* of a community, all of whom *consent to be duty-bound* to the observance of its terms and to compliance with them. It is the community's specific social contract. The first eventually-fatal flaw in the organization of any Enterprise is set in it by failure to make the terms of the convention specific and practically adequate. The second eventually-fatal flaw set in the organization of an Enterprise is failure to provide for sustained successful efforts in maintaining and improving its constitution. Without specifications the idea of any social contract is indistinct and, as a result, the interpretation of the contract is thrown back upon the individual judgments and opinions of independent members of the association. There is probably no better specific historical example of an effort by individuals to forge a constitution establishing an association of citizens than that provided by Farrand's *The Records of the Federal Convention of 1787*. Without actual practical activities for maintaining and perfecting it (as experience uncovers inadequacies or shortcomings), the convention – the social contract – will eventually come to be ignored and violated.

Social-natural civics, as a social-natural science grounded in the mental physics of human nature, will be – when it is brought into actual *Existenz* – the science of social contracts and will provide a doctrine for their making and sustaining. There is a word, *orthodóxa* (literally, "right opinion"), coming down to us from the classical Greek philosophers and from which evolved our English word "orthodox." Social-natural civics, when we have it, will be a science understanding the practical, objectively valid, and deontological theory of social convention through social

contracts and the application of this theory to human Enterprises of every kind. This is as much as to say it will provide an objectively valid orthodoxy for objectivity in social contracts.

This is not to say that the governance of leadership in an Enterprise must await the birth and development of social-natural civics. Every science, before it was a science, was a technical art. We have already today the capacity for the technical art of social organization. It is the neglect, misunderstanding and ignorance of this art that characterizes the plutocracy. We turn now to the ways by which plutocracy comes to neglect it.

### **§ 3. Plutocratic Breakdown in Civics**

Plutocratic reliance on the paradigm of rulership is the root source for its failure either to (1) establish a system of civics-art for its entity or (2) to sustain the art over the passage of time. How is it that the adoption of a paradigm of rulership leads to this? That is the question we explore here. We do so by analyzing some specific examples.

#### **§ 3.1 Andrew Carnegie**

While it is nothing more than his own private opinion, your author thinks there are few cases in history sadder or more unfortunate than the example provided by the life of Andrew Carnegie. He thinks Carnegie was a man of good intentions who made many mistakes and by them failed to realize his own intentions in ways that might have provided the long-lasting benefit to Western civilization he desired as a personal legacy, and whose actions even led to real harm. Some will strongly disagree with this opinion and hold Carnegie up in a very negative light. Others will strongly disagree with what they will see as your author's censures of Carnegie and point to his magnificent generosity and the undisputed good this generosity brought to many. Both disagreements are of no real consequence or importance. What is important is answering the question: how and why did Carnegie fall short in realizing his potential and even his own ideals as a civic leader? To answer this we must look at the man, his achievements, and how he achieved them. Our ability to do so is aided by historical sources. Carnegie's own autobiography and, juxtaposed with it, a more objective Carnegie biography compiled by historian David Nasaw provide an often fascinating side-by-side comparison.

##### **§ 3.1.1 Carnegie's Business and Financial Success**

By any tangible measure of success, Carnegie was one of the most extraordinarily successful businessmen who has ever lived. Born in November of 1835, Carnegie immigrated to America from Dunfermline, Scotland, with his family in 1848 when he was only twelve years old. This was after his craftsman father's small weaver's business failed under competitive pressure from

the new manufactories. The family occupied the lowest rung on the ladder of wage-earning laborers. By 1901 Carnegie was the richest man on earth.

How rich was Andrew Carnegie the industrialist, and how meager were the beginnings of Andrew Carnegie the boy? Both questions resist obtaining meaningful answers. Meaningful answers require that the context of the questions be one the typical person can properly understand and for that reason the most meaningful context is that by which a person can judge Carnegie's fiscal situations in a direct comparison with his own. In economic terms, any such judgment must be based on the exchange value of Carnegie's personal stock of goods. Proper ascertainment of this exchange value presents a fundamental difficulty because the comparison is one between the purchasing power of a dollar in Carnegie's days and its purchasing power today. Although far from a perfect quantitative measure of this, probably the best tool we have for trying to judge this is the consumer price index (CPI). This is a defined measure, based on a selected "market basket" of different goods and services judged to be representative of the most typical cases of needs and preferences exhibited by a society at any given time. But two formidable problems are inherent in this idea. First, the representative "market basket" changes and evolves over time, which is what renders a direct dollar-for-dollar comparison invalid when the comparison involves people living in different eras. Second, the CPI in the United States was not started until 1919, the year Carnegie died, and it does not extend backward in time prior to 1913.

The figures commonly quoted and used in ranking the world's richest individuals are not based on CPI. The most commonly quoted one is an abstract measure based on a formula put together by the Forbes publishing company. This measure does not use purchasing power or any analog to the CPI. Instead, it compares the individual's total wealth as measured in dollars against an abstract and ill-definable no-thing called "the total size of the U.S. economy." This no-thing is definable only by fiat and perhaps nothing is more devoid of any apprehensible real meaning. A man is not a country. The Forbes formula, in whatever revised state it is in at any time, tends to favor "old wealth" over "new wealth" in its ranked comparisons, aggrandizing the accomplishments of the industrialists of the earlier age in comparison to those of present times. Even as a quantitative measure it produces glaring divergences. For example, the 1998 Forbes list put Bill Gates' fortune at \$61 billion vs. a Carnegie personal fortune of \$250 million – a 244-to-1 ratio – yet ranked their fortunes in equivalent "today's dollars" as \$61 billion for Gates vs. \$100 billion for Carnegie., effectively a 400-fold multiplication in favor of the valuation of Carnegie's stock. The increase in the CPI over the relevant comparison interval is only slightly more than a 16-fold increase. Your author contends that the Forbes measure has no real meaning in the context of a real assessment of wealth grounded in social-natural economics. It is a Platonic myth.

When Carnegie sold his business interests to the alliance headed by J.P. Morgan that became the United States Steel Corporation in 1901 (the world's first "billion dollar company"), Carnegie's personal share of the proceeds, as documented by Nasaw, was \$226 million paid in the form of 5%-interest gold bonds backed by the assets of U.S. Steel. The standard method of interest rate calculations used in business to evaluate the time-value of money can be used to project the equivalent value of these proceeds ahead to 1913 dollars. This projection places the effective value of Carnegie's stock-of-goods at \$426 million, and from there the CPI can be used to re-express this amount in terms of the purchasing power of today's dollar. This conversion places the today's-dollar value of Carnegie's fortune at \$8.6 billion. It isn't as grand sounding as \$100 billion, but it would take an extraordinarily extravagant hedonist or a near-psychotic megalomaniac to be unsatisfied by this amount. Carnegie was neither.

It is not possible to use this method to gauge Carnegie's financial starting point. The young Carnegie began his career as a wage-earner in mid-nineteenth century Allegheny, Pennsylvania. Even though he eclipsed his father as the family's chief breadwinner while still a teenager, the family was in no financial position to spare much or any of its revenue to employ as capital. On top of this, most economists will contend that there is no justifiable way to extend the CPI back this far in time because the "market basket" then was just too different from what it is today.

As an alternative, one reasonable approach (out of many possible) for evaluating Carnegie's early circumstances is to use his own personal assessment of his family's financial condition. In 1852 Carnegie landed a job as a telegraph operator for wages of \$300 per year. He tells us in his own words,

This was a fortune – the very sum that I had fixed when I was a factory worker as the fortune I wished to possess, because the family could live on three hundred dollars a year and be almost or quite independent. Here it was at last! – Andrew Carnegie, "How I Served My Apprenticeship," in *The Gospel of Wealth and Other Timely Essays*

Thus we have it from Carnegie's own pen that this income represented a comfortable and what we today might call middle-class income for a family of four (Carnegie, his parents, and his younger brother). Carnegie's formal education had ended at age 13, when he went to his first job as a bobbin boy, and so he never even began high school. But this was very commonplace for American men of his day and is comparable today to those who finish high school but obtain little or no formal education beyond this point. The median income for this group in 1990 was \$21,546. If we adjust this amount using the CPI to put it in terms of today's dollars, Carnegie's \$300 per year would be the economic equivalent of an income of \$32,970 per year. Thus, even by age 17 Carnegie was doing better financially than the majority of high-school-only Americans ages 15-24 of today. If we assume economic conditions in 1848 were more or less the same as in

1852, this would put his income as a \$1.20/week bobbin boy at \$6,858/year – a very respectable sum for a thirteen-year-old – at a modern equivalent of \$1.83/hour. By comparison, the federal minimum wage in 1938 measured in today's dollars was twenty-five cents/hour.

Soon after becoming an operator, Carnegie was noticed by a Mr. Thomas Scott, the division superintendent of the Pennsylvania Railroad. Scott was impressed by Carnegie and hired him in early 1853 as his personal clerk and telegrapher at a salary of \$420/year (about \$46,000/year in today's dollars). Scott became Carnegie's business mentor and also gave Carnegie his first opportunity to become a stock investor in late 1855 when he arranged for Carnegie to invest \$500 (which his mother obtained for him by mortgaging their house) in the Adams Express Company. The stock paid an annual dividend of 24%, and so by age twenty Carnegie was a neophyte capitalist with an additional dividend income that equates to about \$13,000/year in today's dollars – an extraordinary sum for a twenty-year-old first-time capitalist by any normal standard. In an 1868 memorandum to himself, when he "proposed to take an income no greater" than \$50,000/year, that amount would equate to around \$5 million/year in today's dollars. Carnegie clearly never planned to live hand-to-mouth from one dividend check to the next. His net worth by the end of 1868 was \$400,000 – about \$40 million in today's dollars.

Three things are clear from his early years: Carnegie demonstrated an extraordinary degree of personal industry while still very young; his personality was attractive to older people who helped him get started in business; and his life did not begin in poverty, however much innuendo creating this impression his later writings held. He was no Horatio Alger "rags to riches" storybook character, but he was certainly a remarkably accomplished man.

### § 3.1.2 Gamesman and Union Breaker

There is no compelling reason to conclude Carnegie's warm words of support for labor and labor unions in his 1886 essay, "An Employer's View of the Labor Question," were either cynical or insincere, or to presume Carnegie did not truly believe them. Yet this very same man would, less than two years later, desert by his deeds allegiance to his own words and deliberately break the Knights of Labor union at his Edgar Thomson steel mill. Events at Edgar Thomson in 1888 presaged violence and bloodshed that erupted in 1892 at Carnegie's Homestead plant, where he and his junior partner, Henry Clay Frick, conspired to break, and did break, the union of the Amalgamated Association of Iron and Steel Workers.

We can never know what the private thoughts and feelings of Andrew Carnegie were. We can only empirically go by the self-testimony he provided to posterity in his *Autobiography*, the evidence of his philanthropy after 1901, and the documented historical record of his actions as a

businessman. Yet mental physics teaches us two things. First, it is quite possible for one person to sincerely hold *theoretical* moral maxims in his manifold of concepts *and also* obey antithetical *practical* maxims he forms in his objectively dark and affectively cold manifold of rules. Second, it is not only possible for him to do this; it is commonplace for people to do this.

All theoretical tenets in the manifold of concepts are subservient to and at the employ of pure practical Reason, a process that seeks only for cognitive, affective, and practical equilibrium however it can be achieved. The motivational dynamic has many tools at its disposal for doing this: denial, ignorance, rationalization. In any inner conflict arising from cognitive dissonance, the structure of practical rules and practical hypothetical imperatives will always prevail, and when theoretical ideas of social mores and duties come into conflict with practical tenets of duties to oneself, the latter always overrule the former.

In weighing the balance of the contradictory pictures presented by Andrew Carnegie, your author's opinion is that historian and Carnegie biographer David Nasaw came up with the most likely hypothesis for understanding Carnegie's practical character. He wrote of Edgar Thomson,

Having committed his ideas to paper, Carnegie prepared to put them into practice – at his Edgar Thomson works at Braddock. On December 16, 1887, weeks before the existing labor contract was due to expire, notices were posted at the gates of Edgar Thomson announcing that the works would be shut down the next day for "annual repairs." On December 28, the Knights of Labor presented its wage demands for the new contract to Captain Bill Jones [Carnegie's plant manager at Edgar Thomson]. . . .

In New York City, Carnegie outlined the firm's position in an interview with the *New York Times* on January 20, 1888. Because both steel rail and pig iron prices were down by 20 percent, it was "only fair to ask the men to submit to a 20 percent reduction in wages." However, he intended to request only a 10 percent wage cut. "If this were not satisfactory to employees . . . his firm would not only be willing but anxious to submit the matter to arbitration." He did not expect the men to refuse arbitration or go on strike, as this would be "contrary to the fundamental laws of the Knights of Labor . . ."

Jones and Carnegie had expected that the Knights leadership and the rank-and-file would, after a few months of being locked out, accept the new wage offer. But they did not. In late February, with the lockout still in effect, Carnegie visited Chicago . . . then stopped over in Pittsburgh on his way back to New York. . . . The Knights of Labor officials who had been waiting for negotiations to resume interpreted his visit as a signal that he had decided to intervene. . . . "The employees at the Edgar Thomson Steel Works have a high regard for Andrew Carnegie," a Knights official explained to a reporter. "He fully understands the men, and they have full confidence in him. He has settled difficulties there before by simply calling a meeting of the employees and discussing the points at issue in a business-like way."

Carnegie did not take the train to Braddock to meet with the locked-out Edgar Thomson workers or the Knights of Labor leaders. He returned instead to New York, but not before issuing [a statement] that Pittsburgh steel was in grave danger of being driven out of markets in the Midwest and Northwest "by Chicago manufacturers" . . . It was assumed he was laying the groundwork for his wage cut proposal by intimating, none too subtly, that if his workers didn't accept reductions, he might move his plant to a location with lower labor costs. . . .

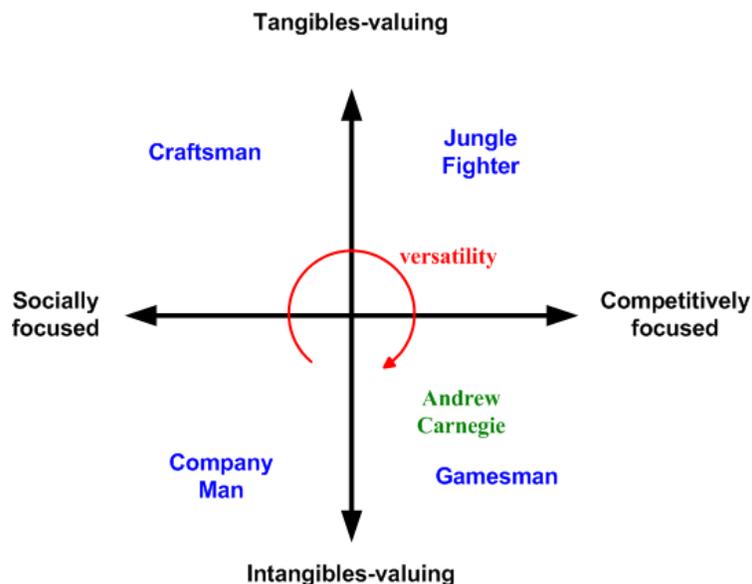
Carnegie had poured millions of dollars into the Edgar Thomson steel mills. He was prepared to do whatever he had to to protect this investment from the new competition posed by Chicago steel mills. While he couldn't undo the locational advantage the Chicago firms enjoyed, he could eliminate their advantage in labor costs.

From the safe haven of the library at his new home . . . Carnegie had been studying the detailed records . . . and discovered that his labor costs were higher than those paid for comparable work in Chicago's steel mills. The only solution to competition, he quickly determined, was to both cut the wage rates he paid his skilled workers and increase the length of their workday to twelve hours, as was standard practice in Chicago.

Having decided to give away his fortune . . . Carnegie was ruthlessly single-minded in his determination to keep his steel company competitive. It was of vital importance, he believed, that Edgar Thomson survive and prosper, not because this would further enrich him and his partners – he had already accumulated more money than he could ever spend – but because a successful steel mill would benefit the larger community, first by providing employment to thousands, then by generating profits which would be given back to the community on his retirement. With a self-righteousness born of self-confidence in what appeared to him to be his historic role in a larger evolutionary drama, Carnegie felt fully justified in demanding whatever sacrifices were necessary from his workmen to keep Edgar Thomson afloat and profitable. – David Nasaw, *Andrew Carnegie*, pp. 315-318

Considering the rationalizations of providing jobs and later giving back to the community, one has to wonder why Carnegie did not put into practice his maxim of talking things out with his men – perhaps to seek a community-wide response to the competitive pressures from Chicago – rather than choosing, as he did, to regard the labor dispute as a competition between himself and his employees. He might have thrown his financial power behind political pressure to pass laws eliminating the twelve-hour workday, thereby attacking his *competition's* advantage rather than imposing the twelve-hour-day on his own workers. He might have persuaded the men to give up some guaranteed wage income in exchange for a profit-sharing plan, especially since those profits were destined to be "given back to the community later" anyway. Perhaps he felt he could not do this without obtaining agreement to it from his junior partners; but that would not prevent Carnegie – the major shareholder – from entering a *private* agreement between just himself and his men *without* involving his other partners and shareholders. This way he might have, in effect, changed the Knights of Labor from a union into a private-sector supplier-of-labor-to-Edgar-Thomson *company* with himself as a company director. Whatever his reasoning might have been, the fact is that Carnegie decided to attack his competitors *indirectly* by attacking his workers directly. In the end he prevailed – as Adam Smith had long before said he would – and the Knights of Labor union was broken at Edgar Thomson.

Psychologists specializing in personality theory often find that, empirically, individual behaviors in specific social or interpersonal settings can often be described approximately using two "dimensions" of personality. Sometimes a third factor is added to describe how versatile a person is in adapting his own personality style to those of others in specific situations.



**Figure 11.1:** Modified Maccoby's model of enterprise personality placing Andrew Carnegie

Use of two dimensions produces a four-fold division of description, each of the four divisions being given a descriptive label that tries to capture the flavor of the person's personality. One such description, applied to behavior in enterprise environments, was developed and published by psychologist Michael Maccoby in 1976. With minor modifications, we can use Maccoby's model here. Although he did not explicitly identify his personality dimensions with labels, your author calls them "focus" and "valuing." Figure 11.1 illustrates the modified Maccoby model.

Maccoby's four personality styles (which he called "character types") are named in the figure. He described these "character types" in the following terms:

**A. Typical meanings of competition**

1. Craftsman: drive to build the best; competition vs. self and the materials
2. Jungle Fighter: kill or be killed; dominate or be dominated
3. Company Man: climb or fall; competition as price for secure position
4. Gamesman: win or lose; triumph or humiliation

**B. Source of psychic energy for competitive drive**

1. Craftsman: interest in work; goal of perfection; pleasure in building something better
2. Jungle Fighter: lust for power and pleasure in crushing opponent; fear of annihilation; wish to be the only one at the top
3. Company Man: fear of failure; desire for approval by authority
4. Gamesman: the contest; new plays; new options; pleasure in controlling the play

Maccoby explicitly placed Carnegie in the "jungle fighter" category. However, it is important to note that he did not base this on his own research into Andrew Carnegie's life but, rather, on the opinion of another person who, it is evident from Maccoby's statements about Carnegie, thought of him as just another robber baron and as a thorough-going scoundrel. Some of what Maccoby wrote about Carnegie is true insofar as Carnegie's deeds are concerned:

Carnegie was always open to new industrial, technological, and financial techniques that would increase profits. But his relations with business associates are a story of seduction, manipulation, and betrayal. . . . He was ungrateful to those who had helped him, once he no longer needed them. It was practically inevitable that he and his partner Frick . . . would finally turn on each other. . . . Carnegie liked to believe he was a good man, concerned about progress and the well-being of the workers. . . . Later . . . he wrote tracts in support of the working man's rights to organize and to negotiate contracts. But his own industrial goals were power and profit, to be gained by new technology and by large-scale production, which cut costs, and by new management techniques which cut wages. – Michael Maccoby, *The Gamesman*, 3

A more thorough review of Carnegie's life, however, shows far less of the jungle fighter trait and a great many traits that match Maccoby's description of the gamesman<sup>4</sup> word for word:

The gamesman is not easily evaluated by traditional moral categories. In contrast to the authoritarian boss of the past, he tends to be unbigoted, non-ideological, and liberal. He believes that everybody who is good should be allowed to play, and that race, sex, religion, or anything else has no bearing beside contributing to the team. Nor is he hostile. . . . Unlike the jungle fighter, he takes no pleasure in another man's defeat. But this does not imply he is sensitive to others' feelings or sympathetic about their special needs. He is not compassionate, but he is fair. He is open to new ideas, but he lacks convictions.

Since he is concerned about winning, the gamesman tends to evaluate co-workers almost exclusively in terms of what they can do for the team. Unlike softer or more loyal company men, he is ready to replace a player as soon as he feels that person weakens the team. "The word 'loyalty' is too emotional," said one gamesman, "and empathy or generosity get in the way of work." Nor does he share the jungle fighter's need for accomplices.

Although he may try to spark the "deadwood," the gamesman believes he is being democratic by giving others a "fair" chance to play the game. If a person, due to his background or temperament, never has a fair chance to compete against those gamesmen who are quicker and more driven, that means he belongs to an inferior class. The gamesman tends to classify people as winners and losers. – [*ibid.*, 5]

After his high-minded but nonetheless egocentric suppositions about how the Edgar Thomson situation would play out were frustrated by actual events, and he had resorted to busting the union he had previously praised, Carnegie was ready to be far more ruthless four years later when he determined to break the union at his Homestead mill. He had already made one earlier attempt, in 1889, but that one had backfired when one of his young protégés, William Abbot (Carnegie's chairman of Carnegie-Phipps) unexpectedly disobeyed Carnegie's instructions and settled with the Amalgamated union to prevent further outbreaks of violence in Homestead.

Later his *Autobiography* would piously deny his direct role in that tragedy, not too subtly turn the blame for it on Frick and on John Porter (who Carnegie used to replace Abbott at Homestead and who had carried out Frick's and Carnegie's instructions to the letter), and express what

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<sup>4</sup> Although he never identified him by name in his book, Maccoby used one specific individual as a kind of "poster boy" illustration of the classic gamesman. As it turns out, your author knows this individual and worked under him at the Hewlett-Packard Company for many years. He is, indeed, a living illustration of what Maccoby means by the term "gamesman." Except for the magnitude of his wealth, he is a miniature Andrew Carnegie without Carnegie's philanthropic impulse.

probably was sincere horror over the bloodshed that took place there. But, as Nasaw documents, Carnegie was intimately involved – from the comfortable distance of his home in Scotland – at every step in the Homestead strike. Nasaw wrote,

There was no doubt in Carnegie's mind that with Frick overseeing day-to-day operations and making necessary tactical adjustments, the strategy that had worked so well at [Edgar Thomson] in 1888 and Connellsville in 1891 could not help but succeed at Homestead. The firm would make impossible demands. When the union rejected them, the company would cut off negotiations, close the works, lock out the workers, secure the plant with sheriff's deputies and/or Pinkertons, and then, after an indeterminate pause, reopen under armed protection. The workers would be invited to sign individual contracts and return to their jobs; those who refused would be replaced by scabs. – David Nasaw, *Andrew Carnegie*, pg. 409

Instead, the Homestead strike turned into one of the bloodiest and most vicious strikes in the history of U.S. labor. In the end, Carnegie and Frick prevailed but Carnegie's reputation as a friend to labor was destroyed in the process and never recovered. Nasaw wrote,

Andrew Carnegie's decision to give away all he earned set him apart from his contemporaries. It also, paradoxically, encouraged him to be even more ruthless a businessman and capitalist. Recognizing that the more money he earned, the more he would have to give away, he pushed his partners and employees relentlessly forward in the pursuit of larger and larger profits, crushed the workingmen's unions he had once praised, increased the steelworkers' workday from eight to twelve hours, and drove down wages. – [*ibid.*, pp. x-xi]

Looking at all this, one can hardly help but think of John Adams' remarks about Emulation. In Carnegie we see the effect of a noble idea grown Platonic, gradually divorced in thought from a connection with people as individuals and reconnected to The People as an abstraction, an egocentric conviction on Carnegie's part that he alone could play the role of chief social reformer, and the combination of all these factors to produce what can be called megalomaniacal rulership. Step by step, Carnegie slowly came to adopt harsher consequentialist maxims until he lost sight of whose benefit he intended his labors to serve. It was a sad devolution into state-of-nature relationships that illustrates the wisdom of something theologian Meister Eckhart once wrote:

One must not always think so much about what one should do, but rather what one should be. Our works do not ennoble us; but we must ennoble our works. – Meister Eckhart, *Work and Being*

### § 3.2 Centralization of Power

Plutocracy invariably embraces, consciously or unconsciously, an unquestioned premise of a system of monarch-and-nobility rule of the entity. One unmistakable signpost, and a measure of how deeply the plutocratic attitude is embraced by its capitalists and managers, is the degree to which power and decision-making become centralized. The energies of the top decision-makers

become less gamesman-like in character and take on more of the attributes of the jungle fighter. Those lower on the management ladder slowly or quickly become more company-man like in their attitudes and presuppositions and, often, more sycophant-like in their subservience to those above them in the hierarchy. The result is a draining of what Toynbee called the "vigor" in the society of the entity, the effect of which is usually to incite greater degrees of jungle fighter-like attitudes among its chief plutocrats. Taylorism in management practices tends to become more common and others in the organization, deprived of a voice in policy and decision processes, come to form a Toynbee proletariat within it. Old motivators and leaders' tactics cease to work as effectively in the governance of leadership and any social contract obligations the organization once benefited by are gradually withdrawn as more of its members are driven back to behaviors grounded in deontological duties to themselves. Loyalty and trust vanish, propaganda flourishes.

The plutocratic tactic of centralization violates three of Sun Tzu's "energy" tenets:

- 1 Sun Tzu said: The control of a large force is the same in principle as the control of a few men: it is merely a question of dividing up their numbers.
- 2 Fighting with a large army under your command is nowise different from fighting with a small one; it is merely a question of instituting signs and signals.
- 21 The clever combatant looks to the effects of combined energy, and does not require too much from individuals. Hence his ability to pick out the right men and to utilize their combined strength. – Sun Tzu, *The Art of War*, v

In the days of its vigor and unmatched innovativeness, Sun Tzu's "signs and signals" were effected at Hewlett-Packard through that company's down-branching hierarchy of interlocking tactical goals and objectives, making full and flexible tactical use of the company's highly decentralized management structure. There were no "rubrics" or "metrics" or "vision statements" used anywhere within the company. These claptraps of Taylorism and plutocratic management practices took hold only very slowly, and hand-in-hand with growing centralization, only after the founders retired.

The slow growth of centralization in that company was accompanied by its inevitable companion process – the increasing abdication of responsibility for taking leaders' actions by the lower members of its management hierarchy and a narrowing of individuals' ideas about what their civic roles in the company were. These, increasingly, became expectations of what "higher management" was supposed, by the membership, to take responsibility for sustaining. When such responsibilities are "pushed higher up the chain," the inevitable result is presumption of *lack of responsibility* at the lower levels of the organization. Many high-level managers in business entities are frequently heard to decry "lack of a sense of responsibility" in the workers. What they apparently fail to understand is they themselves, by centralization, are *absolvers* in this. People

who feel their role is diminished and their voices will not be heard will not give their attentions and efforts to things they feel powerless to affect.

This enervation of the vigor and energy of the Enterprise, as individuals come to put more of their energy, attention and devotion into their own enterprise purposes, is an inevitable outcome of centralization taking hold in the plutocracy. Its antidote is, of course, decentralization; but this requires anti-plutocratic organization. Watson put it this way:

In the early 1950s the demands of an expanding economy and the Korean War made it necessary for IBM to react more rapidly at all levels than we were able to with our monolithic structure. Increasing customer pressure – to say nothing of a few missteps like the one we made on the electronic computer – caused us to decide on a new and greatly decentralized organization.

We wasted no time in carrying our decision out. In late 1956, after several months of planning, we called the top 100 or so people in the business to a three-day meeting at Williamsburg, Virginia. We went into that meeting a top-heavy, monolithic company and came out of it decentralized. . . .

We decentralized in more or less the usual way and for the usual reasons – that is, to divide the businesses into more manageable units and to make sure that decisions would be made where and when they should be.

But in one respect we were quite different from most other companies. IBM is not the kind of business that textbooks say can be decentralized sensibly. We are not, as many large companies are, a grouping of unrelated or merely partly related businesses. We are one business and, for the most part, a business with a single mission. . . .

This means that decisions are being made constantly, all the way down the line, on matters that involve two or more divisions. One might suppose that burdensome machinery would have to be set up throughout the business to settle the thousands of small differences that could be expected to arise among the divisions.

To date it has not been necessary. No matter what division they may be in, basically all our managers are company-oriented. They think primarily in terms of what is good for IBM rather than what may be good for particular divisions. – T.J. Watson, Jr., *A Business and Its Beliefs*, 5

Bill Hewlett and Dave Packard used a very similar precept in the decentralization of the Hewlett-Packard Company. As Nasaw and Carnegie himself both tell us in the respective biographies, this same "company-mindedness" was a fundamental factor in Carnegie becoming noticed and favored by older men in his early business days; it is nothing less than supremely ironic that his own institution of centralized plutocratic management practices poisoned the ground for the development of this in the younger men throughout the organizations he built. In what took really only a few decades, this void turned the steel industry in the United States into a decrepit and dying "smokestack industry" following the trail of the buggy-whip makers into history.

Centralization of power reinforces the already-present attitude of regarding the managers of the entity as members of an aristocracy. Mental physics teaches that all people understand things in terms of other things, with which they are more experienced and familiar, through the use of

metaphors. The defining feature of reasoning by analogy is this: from the ground of one characteristic exhibited by an object, other characteristics, that have not yet been exhibited by the object but which are characteristics of the analog, are concluded of the object. Even if a manager truly does not think of himself as being in any way a member of a superior class, others in the plutocratic entity who regard managers as an aristocratic class *will presume* that he does. The centralization of power and decision-making in a plutocratic organization strongly reinforces this presumption. Leadership then leads *all* out of a state of Enterprise and into stagnated arrest.

No one voluntarily joins any association in order that he might pass from a state of liberty into a state of subjugation. If the mores and folkways of the larger society in which an organization operates have already led its members to view themselves as being subjugated at least partially, and if an individual has already accommodated himself into accepting a subjugated place in that society, subjugation under an aristocracy of managers is a condition that he will not find additionally frustrating *provided that his subjugation within a plutocratic entity is no more burdensome* than his subjugated state within the greater society. However, all leader's actions aim at producing feelings of tension in the follower and, unless the greater society is already heavily regimented, a plutocracy with a centralized power structure tends to encourage greater efforts by its managers to regiment the behaviors of all its members. It is easy enough for decisions made even with sound reasons and the best of intentions ("for the good of the organization and all its members") to be carried out in ways the members – especially those lower in the management chain and those who occupy its non-management ranks – will interpret as more despotic than the general conditions of society to which they are already accustomed.

This is particularly more likely in a centralized organization because of two factors. First, the reach of the entity managers into the circumstances of the members is generally much more direct than is the reach of the governing officials in the greater society. Thus the power is more immediately intrusive. Second, the affective factors of Emulation tend to be motivating factors in the manager's self-determinations of his own behaviors. One effect of these factors of Emulation is the formation of precisely the attitude leading to what Lord Acton expressed when he wrote,

Power tends to corrupt and absolute power corrupts absolutely. – Lord Acton, *Letter to Bishop Mandell Creighton*, April 5, 1887.

Even well-meaning people, acting from the best of intentions, are subject to being swept up in the peculiar mob psychology characteristic of aristocratic groups of individuals. Psychology has long documented the phenomena of people taking actions as part of a mob that they would never have taken as individuals outside of that mob. In an entity, the company-man-like individual resigns himself to such actions ("I have no choice"), the jungle fighter and the gamesman seek to exploit

it for their own benefits and pleasures, and the craftsman-like individual bristles under it.

Nor does centralization of power and decision-making lead to wiser or more effective governance of the leadership dynamic. As the distance between the situation of the decision-maker and those who must carry out the decision lengthens, the decision-maker finds himself more or less insulated from the realities of the situation and his decision-making speculations are more and more founded upon Platonic idealizations and consequentialist maxims. The result is so predictable as to require no great amount of insight. Mistakes are more frequent, the collective actions of the entity are less efficacious, and the plutocratic aristocracy of rulers comes to be held in contempt by the greater number of entity associates. As Acton also wrote,

There is no error so monstrous that it fails to find defenders among the ablest men. Imagine a congress of eminent celebrities such as More, Bacon, Grotius, Pascal, Cromwell, Bossuet, Montesquieu, Jefferson, Napoleon, Pitt, etc. The result would be an Encyclopedia of Error. – Lord Acton, *Letter to Mary Gladstone*, April 24, 1881

As the plutocratic entity continues to develop a swelling Toynbee proletariat within itself, its non-aristocrats and lower-ranking rulers tend to become less concerned with acting to prevent or counter the consequences of these errors and to become more entirely concerned with actions that serve their own duties to self and their own self interests – knowing that the affective influences of desire for Emulation in the motivational dynamic will tend to produce those characteristic actions of higher rulers by which they place blame for mistakes and errors on the lower-ranking members of the aristocracy. The modern plutocratic code phrase for this is "misplaced confidence in a subordinate." When Carnegie's scheme for breaking the union at Homestead went bad, he blamed Frick and Porter for making mistakes and causing his plan to miscarry so catastrophically.

In the large, human beings tend to be unoriginal in reasoning about complicated matters, and this is nowhere more true than in the maxims of analogy that promote centralization. The prototype analog for centralization is the historical organization of armies as this organization comes to be *misunderstood* by civilians. Piaget once wrote, "The problem with being a psychologist is that everyone thinks he is a psychologist." It can just as well be said that the problem with being a teacher is that everyone thinks he is a teacher, the problem with being a manager is that everyone thinks he is a manager, or the problem with being a philosopher is that everyone thinks he is a philosopher. Equally, the problem with being a general is that everyone thinks he is a general.

The civilians who adopt the plutocratic paradigm of entity organization generally base their ideas for this organization on preconceived notions of military organization. Even those who profess to despise the military adopt their misunderstandings of its basic theory of organization and merely seek to remove from this whatever aspects of it they think are the unappealing ones. Centralization of power and the hierarchy of an aristocratic class are two of the most common

ideas that survive whatever other reform measures they might take in the design of the entity management structure. The hierarchy of aristocrats (officers, non-commissioned officers) is, of course, one of the principal characteristics of military organization. But centralization of *tactical* decision-making is not, and this is something the amateur generals of the plutocracy misunderstand quite thoroughly. Clausewitz wrote,

By 'theater of operations' we mean, strictly speaking, a sector of the total war area which has protected boundaries and so a certain degree of independence. . . . A sector of this kind is not just part of the whole, but a subordinate entity in itself – depending on the extent to which changes occurring elsewhere in the war area affect it not directly but indirectly. . . .

It is easy to define an army by using the concept of 'the theater of operations' – that is, all the forces located in a given theater. . . . Blücher and Wellington each commanded a separate army in 1815, even though they were in the same theater of operations; so supreme command is another criterion in defining an army. Nonetheless, the two are closely related: where matters are properly arranged, there will be only one supreme commander in a single theater. And a general in control of his own theater of operations will never lack a suitable degree of independence. . . .

From a strategic point of view one should never ask what the strength of a division or corps ought to be. The proper question is how many divisions or corps an army should have. There is nothing more unwieldy than an army split into three parts, save perhaps an army split into two. In the latter case the general in command will be practically paralyzed.

There is no denying that the supreme command of an army (and the command of any independent force) is markedly simpler if orders only need be given to three or four other men; yet a general has to pay dearly for that convenience in two ways. First, an order progressively loses in speed, vigor, and precision the longer the chain of command it has to travel, which is the case where there are corps commanders between the divisional commanders and the general. Second, a general's personal power and effectiveness diminishes in proportion to the increase in the sphere of action of his closest subordinates. A general can make his authority over 100,000 men felt more strongly if he commands by means of eight divisions than by means of three divisions. There are various reasons for that; the most important being that a subordinate commander thinks he has a kind of proprietary right over every part of his corps, and will almost invariably object to any part being withdrawn for however short a time. Anyone with any experience of war will be able to understand this.

On the other hand, the total number of parts must not become so large that confusion will result. It is hard enough to manage eight subdivisions from one headquarters; ten is probably the limit. In case of a division, however, in which there are far fewer means for transmitting orders into action, four, or at the most five subunits must be considered the appropriate figure. . . .

If the term 'subdivisions of the whole' is taken to mean only the *first*, or *immediate*, components, we argue that:

- a. The whole will be unwieldy if it has too few subdivisions.
- b. If the subdivisions are too large, the commander's personal authority will be diminished.
- c. Every additional link in the chain of command reduces the effect of an order in two ways: by the process of being transferred, and by the additional time needed to pass it on. – Carl von Clausewitz, *On War*, Bk. 5, Ch. 5

Clausewitz, who is still studied at military academies and war colleges around the world,

could hardly make the point more clearly. Centralization of power is neither sound nor workable military organization. It merely serves the misconceived convenience of the commander at the top of the army. That the *illusion* of having much power immediately at his command is also an allure of Emulation need hardly be stressed. The plutocrat – amateur general or self-fancied baron – who favors centralization is a poor general. Far from realizing an increase in his own power, he actually diminishes it as miscommunications and even acts of covert defiance occur down his chain of command and his real authority breaks down. Hitler demonstrated this vividly.

### § 3.3 Institutionalized Bias

By the end of the 1980s a new management term had swept through and been institutionalized in almost every large commercial entity in the United States as well as in many public ones. The term is "human resources," usually abbreviated in speech to simply "resources" or "HR." There is probably no term, and no institutional practice that grows out of its use, that better illustrates the phenomenon of institutionalized bias in the culture of a plutocracy. This bias goes hand-in-glove with centralization of power and the unwarranted and *practically* indefensible aristocratic class system of rulership that characterizes the plutocratic entity.

Institutionalized bias takes on many specific forms within entities: ethnic bias, gender bias, racial bias, age bias, and religious bias are five of its common manifestations. But there is also present in every plutocracy a sixth manifestation that is rarely mentioned or even brought into conscious thought: *worker class bias*. This form of bias is the *most* common characteristic of a plutocratic entity.

All forms of institutionalized bias are insidious because the people whose actions are biased are usually unaware that their actions are prejudicial and biased. Most will protest heatedly any suggestion that they are biased or prejudiced and they will truly regard themselves as being slandered and defamed by the accusation. Their protests are not duplicitous. They really feel and think their personal integrity and character has been unfairly attacked *because institutionalized bias is the true bias of ignorance*. It grows out of the same Platonic ignorance of human nature that sources the practice of thinking about people as "human resources." Indeed, "human resources" is itself a manifestation of worker class institutionalized bias because it implicitly regards people laboring in the entity as merely objects by means of which the capital investors make their profits from the entity (in whatever form these profits exist).

Shakespeare's Juliet says to the night sky, "What's in a name? That which we call a rose by any other name would smell as sweet." If the name is Emily or Fred, it is true enough that the person would be regarded little differently by others if the name were Ann or William. On the

other hand, in many societies the regard would be greatly different if Emily were called William or Fred were called Ann. Likewise, words used technically bring with them a suite of metaphors and analogies affecting and biasing the mental physics of judgmentation. "Human resource" is such a term. Its grounding metaphor originates in economics, and its most common employment in plutocratic entities is made by people as profoundly ignorant of the theory of economics as they are of the theory of nuclear physics. When organizations had "personnel departments" these were usually too impersonal already. Now that they are "human resource departments" their institutionalized habits of thinking as if people are merely means to organizational ends is unconsciously predicated on an empty Platonic concept – The People – and reinforces practices which perfect and perpetuate institutionalized ignorance of human nature. Robert Townsend, whose dramatic turn-around of the Avis Rent-a-Car Company in 1962 brought him a large degree of acclaim in the business world, wrote

The trouble with personnel experts is that they use gimmicks borrowed from manufacturing: inventories, replacement charts, recruiting, selection, indoctrinating and training machinery, job rotation, and appraisal programs. And this manufacturing of men is about as effective as Dr. Frankenstein was. As McGregor points out, the sounder approach is agricultural. Provide the climate and proper nourishment and let the people grow themselves. They'll amaze you. – Robert Townsend, *Up the Organization*, 126

It is true enough that plutocrats find thinking in terms of Platonic People is easier and more affectively expedient for making decisions than is judgmentation that must seek equilibrium in the presence of individual human circumstances that evoke feelings of empathy. It is a matter for reasonable speculation to wonder: Did Carnegie choose to isolate himself in New York and Scotland, far away from the day-to-day activities of his enterprise, in order to avoid the unpleasant experiences face-to-face contact with the laborers would have brought him? The harsh opposition between the living conditions of his workers, which he could have done something to ease, and his self-ideal of being a great benefactor of The People might have been an inner conflict Carnegie could resolve by no other expedient than by fleeing it. For all his remarkable business acumen and willingness to be ruthless when he thought it necessary, Carnegie also often exhibited both a boyish naivety that seems to reflect early moral influences from his traditional Scottish upbringing and a cowardly reluctance to face the realities his workers experienced.

This is, of course, nothing more than hypothetical speculation. But it is not inconsistent with seemingly genuine remorse Carnegie expressed for a break in his personal relationship with his old mentor, Thomas Scott, who had taken Carnegie out of the telegraph office and launched him in business. The breakup occurred when Carnegie refused to bail Scott out of a debt problem the older man had incurred. Nasaw is skeptical about how deep or genuine this remorse actually was.

One can read into Carnegie's words *either* genuine expressed remorse *or* self-aggrandizement by Carnegie ("look how I righteously practice honest business principles") *or* remorse *mixed* with an attempt to rationalize and justify his actions to himself and to others. Nasaw wrote,

Though they continued to do business together, the breach between [Carnegie and Scott] was never entirely healed. And this greatly bothered Carnegie. He prided himself on his loyalty to friends – and his generosity – and could not forgive himself for not finding a way to help out Scott in his time of trouble. In January, 1879, traveling in Singapore, Carnegie learned from "a line in a New York paper, picked up here . . . the terrible news" that Scott had been stricken with paralysis and taken abroad. "All our miserable differences vanish in a moment – I only reproach myself that they ever existed," he wrote in a long handwritten letter so heartfelt that Scott uncharacteristically kept it until his death. . . .

In his *Autobiography*, Carnegie tells this story in mawkish detail not simply because he was sorry for what he had done, but to emphasize that by the early 1870s he was his own man, beholden to and linked with no one else, certainly not a speculator like Thomas Scott. He preferred to be remembered as the stolid capitalist and manufacturer who put his friend's life at risk rather than endorse his bad debts. This would be a recurrent theme in Carnegie's later accounts of his business career. – Nasaw, *Andrew Carnegie*, pp. 155-6

If Nasaw is right, the Scott incident and its aftermath effect on Carnegie is not inconsistent with, and even illustrates, the sort of rationalization mental physics tells us to expect when ratio-expression in the process of judgmentation must reconcile conflict between conscious theoretical tenets (in the manifold of concepts) and unconscious practical tenets (in the manifold of rules), and illustrates that *concepts are made to reconcile* with unyielding practical rules determining the individual's *actual* actions when reconciliation can be accomplished without accommodating the manifold of rules. The *concept* will be accommodated for assimilation under those practical rules.

Ignórance and compensation by ignoring, displacing, or transforming affective disturbances are key tactics the motivational dynamic employs by ratio-expression in seeking accommodations expedient for the pure, practical, rational purpose of equilibration. These tactics are *empowered* by institutionalized bias. When people are expediently regarded as resources, or sub-humanized by thinking of them as members of an "inferior class," or made contemptible by labeling them as "losers," it becomes much easier to self-justify an action formulated upon the most immediately satisficing determination. Such behaviors characterize a good many institutionalized management biases that apologists lump under the woefully egregious and ignorant label "best management practices." Most of these are nothing more than expediencies passing into sanctioned habits of plutocratic practices. Townsend wrote with withering contempt for these so-called "best management" practices:

The National Industrial Conference Board is a sophisticated center of research on yesterday. A nonprofit organization, it is paid by its member business organizations according to size or profit. Any conventional company can join.

NICB publishes all sorts of data about corporate practices. I've found it a valuable source

for ideas – on what *not* to do. When the vast majority of big companies are in agreement on some practice or policy, you can be fairly certain that it's out of date. Ask yourself: "What's the opposite of this conventional wisdom?" And then work back to what makes sense. – Robert Townsend, *Up the Organization*, 20

The class system plutocracy creates is a foundation of institutionalized bias and antisocial practices that then inevitably flow out of it. Recall Maccoby's characterization of the gamesman: the less successful "player" belongs "to an inferior class." Institutionalized bias follows a tenet of social Darwinism. Carnegie unabashedly reveled in his own habit of thinking in these terms. He spoke glowingly of "improvements in the race" when the bigger business concern conquers the smaller, and he tried to give monopolies and trusts a moral stamp of approval:

[The] small petty master in his little store has given place to the bigger, much more important manager of a department, whose revenues generally exceed those of the petty owner he has supplanted. Nor is this all: the field for the display of exceptional ability is much wider than it could possibly be in the smaller establishment, and will as often win partnership in one of these establishments, or at least an equivalent of partnership, as the owner of the small store achieved success. This bigger system grows bigger men, and it is by the big men that the standard of the race is raised. – Andrew Carnegie, "Popular illusions about trusts," in *The Gospel of Wealth and Other Timely Essays*

The eventual sorts of responses by individual entrepreneurs whose enterprises are part of a greater entity are more or less predictable and follow from grounds in duties to oneself. If a person concludes that the entity – an abstraction in which he no longer includes himself – has ceased to care about him or his aims, he will sooner or later cease to care about the entity's aims and concerns. Even if he lives in a culture that sanctions some modern form of serfdom and accepts that social premise, he generally will *not* accept any actions by others associated in the joint enterprises that he thinks transgress upon his personal liberty and well-being *beyond* the point the larger society has already sanctioned. The tension such actions stimulate provide a potential affective motive to withdraw his civic allegiance to an Enterprise – which he then comes to regard Platonically in a manner quite like "The People" abstraction under which its managers are conceived to hold him. Institutionalized bias orients him to follow a path leading to frustration and his eventual moral secession from an Enterprise *even if he continues to practice his own enterprise within it*. Acton was correct to write,

Liberty is not a means to a higher political end. It is itself the highest political end. – Lord Acton, *The History of Freedom and Other Essays*, 1907, Ch. 1

The moral secessionist reverts to an outlaw relationship with the aristocracy of the plutocratic organization. If he occupies a manager's position, he might also extend this relationship to everyone within the organization. As more members of the association bring themselves to this point, the civil union of the organization disintegrates:

In the intimate circles of the dictator,  
 At the desk at the end of the room  
   where the imitation of God Almighty  
   sits running the works,  
 In the speech and look of the main star  
   and the lesser stars hovering in a  
   cluster and an orbit,  
 They know in the pressure of their personal  
   ego that this too shall pass away and be  
   lost in the long mass shadow of the ever-  
   living people  
 And down under the taboos and emblems,  
   behind pomp and ritual, posture and strut,  
   if the word justice is only one more word,  
   if the talk about justice is merely window-  
   dressing, if liberty is pushed too far in the  
   name of discipline, if the delicate lines  
   between personal freedom and requisite  
   social performance are not every moment  
   a terrible load of care  
 There will be a payday and little bells lost in  
   the clang and boom of big bells.

People are what they are  
 because they have come out of what was.  
 Therefore they should bow down before what was  
 and take it and say it's good – or should they? – Carl Sandburg, *The People, Yes*, 71

#### § 4. The Semblance of Longevity in Plutocratic Entities

Plutocratic organization produces plutocratic leadership. Leadership is, again, a social dynamic and plutocratic leadership is a corrupted dynamic that eventually – either in the long run or the short run – fails to be able to sustain the organization. Because the internal sources of this corruption arise out of unexamined presuppositions, prejudices, biases, and over-generalized analogies and metaphors, the causes of Enterprise failure usually go unrecognized by its membership, most or all of whom are too caught up in the psychosocial dynamics of the organization to correctly identify them. False causes are blamed instead and countermeasures are taken that prove ineffective and counterproductive because they fail to address the real causes.

The survival of every entity depends on its ability to obtain an adequate revenue income exchanged for whatever goods it offers in return. If it is a commercial entity, it must sell something to someone and its revenue is money. If it is a non-profit charitable entity its revenue comes from its donors, and to attract donations it must sell the donors on the opinion that it actually accomplishes "good works." If it is a church, it must attract faithful followers and convince them that its view of God and morality is the true view and win their allegiance to its dogmas and practices. If it is a political government of a nation, it must win and keep the loyalty and fidelity of its citizens through the services and protections it offers them or face overthrow

and ouster. In these cases and all others, it must succeed in whatever it is that the entity is formed to accomplish or it will eventually fail and fall. Corrupted leadership ensures it will eventually no longer be successful in its endeavors, and the subsequent loss of sufficient revenue – in whatever form this takes for the particular entity – brings about its end.

The principles Sun Tzu set down for military success *formally* apply to the success of any Enterprise. Differences between types of Enterprises amount to merely the *matter* pertinent to the specific Enterprise and not to the *form* of leadership principles. For any specific Enterprise, it is merely a social-natural question of properly identifying the specific nature of these matters in order to be able to intelligently transform the statements of principles into a proper *context* for the Enterprise. Sun Tzu wrote,

12. There are three ways in which a ruler can bring misfortune upon his army: –
13. (1) By commanding the army to advance or to retreat, being ignorant of the fact that it cannot obey. This is called hobbling the army.
14. (2) By attempting to govern an army in the same way as he administers a kingdom, being ignorant of the conditions which obtain in any army. This causes restlessness in the soldiers' minds.
15. (3) By employing the officers of his army without discrimination, through ignorance of the military principle of adaptation to circumstances. This shakes the confidence of the soldiers.
16. But when the army is restless and distrustful, trouble is sure to come from the other feudal princes. This is simply bringing anarchy into the army, and flinging victory away.
17. Thus we may know there are five essentials for victory:
  - (1) He will win who knows when to fight and when not to fight.
  - (2) He will win who knows how to handle both superior and inferior forces.
  - (3) He will win whose army is animated by the same spirit throughout all its ranks.
  - (4) He will win who, prepared himself, waits to take the enemy unprepared.
  - (5) He will win who has military capacity and is not interfered with by the sovereign.

Victory lies in the knowledge of these five points. – Sun Tzu, *The Art of War*, III

In time, plutocratic leadership neglects and fails on all five of these points through the nature of rulership substituted in place of recognition and governance of the social contract by which the enterprises within it bind themselves to each other.

Before this comes about, however, a plutocratic entity is usually able to *nominally* sustain itself for some period of time before the onset of its final collapse. If an Enterprise managed to grow to a large size and a secure economic situation in the days of its vigor before stagnation from plutocratic leadership began to set in, it might sustain a facade for many years. An entity reaching this sort of strong position usually has had, somewhere in its history, some people with keen leader's acumen or it has enjoyed some early temporary advantage (such as monopoly of an important new technology or by having the only brigand chief in the territory who commands an

army) or both. But in time the original vigor dissipates, the original advantage ceases to be an advantage, and the loss of both sets an organization on the path to its fall. Townsend wrote,

Big successful institutions aren't successful *because* of the way they operate, but in spite of it. They didn't get to the top doing things the way they're doing them now. – Robert Townsend, *Up the Organization*, ix

What Townsend refers to in speaking of large entities being successful in spite of the way they operate is owed to a basic human trait, namely the individual's propensity to develop ritualized habits. In an arrested entity, even in the presence of the day-to-day variations that circumstances bring about, what most people do in the performance of their particular enterprises under the division of labor is more or less stereotyped when one examines their *patterns* of behavior. From early childhood on, it is an easily observable fact that the satisficing behaviors of human beings amount to assimilating whatever situation they encounter into already-familiar behavior actions. Piaget characterized this in terms of "rites and rituals" and "patterns and rhythms." This behavior in raw form is easily observable in child's play by children under the age of four. He tells us,

But once [the child] has gotten over the first moments of astonishment [at encountering a new plaything] the game still remains incoherent, or rather still subject to the whim of the moment. On days when the child plays at cooking dinner, the marbles serve as food to be stewed in a pot. On days when it is interested in classifying and arranging, the marbles are put in heaps in the holes of armchairs, and so on. In the general manner in which the game is carried on there are therefore no rules.

The second thing to note is that there are certain regularities of detail, for it is remarkable how quickly certain particular acts in the child's behavior become schematized and even ritualized. The act of collecting marbles in the hollow of an armchair is at first simply an experiment, but it immediately becomes a motor scheme bound up with the perception of the marbles. After a few days it is merely a rite, still performed with interest but without any fresh effort of adaptation.

In the third place, it is important to note the symbolism that immediately becomes grafted upon the child's motor schemes. These symbols are undoubtedly enacted in play rather than thought out, but they imply a certain amount of imagination: the marbles are food to be cooked, eggs in a nest, etc.

This being so, the rules of games might be thought to derive either from rites analogous to those we have just examined or from a symbolism that has become collective. . . . Genetically speaking, the explanation both of rites and of symbols would seem to lie in the conditions of preverbal intelligence. When presented with any new thing, a baby of 5 to 8 months will respond with a dual reaction: it will accommodate itself to the new object and it will assimilate the object to earlier motor schemes. . . . This assimilation of every fresh object to already existing motor schemes may be conceived of as the starting point of ritual acts and symbols, at any rate from the moment that assimilation becomes stronger than actual accommodation itself. With regard to ritual acts, indeed, one is struck by the fact that from the age of about 8 to 10 months all the child's motor schemes, apart from moments of adaptation in the real sense, gives rise to a sort of functioning in a void, in which the child takes pleasure as in a game. . . . In no way automatic, this rite is a game that amuses her by its very regularity. . . .

As for symbols, they appear towards the end of the first year and in consequence of the ritual acts. . . . This being so, can one seek among rites and symbols for the origin of the

actual rules of games? . . . We believe that the individual rite and the individual symbol constitute the substructure for the development of rules and collective signs, its necessary but not its sufficient condition. There is something more in the collective rule than in the motor rule or the individual ritual, just as there is something more in the sign than in the symbol.

. . . [We] must distinguish carefully between the behavior into which there enters only the pleasure of regularity, and that into which there enters an element of obligation. . . . Now, this element of obligation, or, to confine ourselves to the question of the practice of rules, this element of obedience, intervenes as soon as there is a society, *i.e.*, a relation between at least two individuals. As soon as a ritual is imposed on a child . . . it acquires in the subject's mind a new character which is precisely that of a rule. . . . [In] all cases there enters an element of submission which was not contained in the rite pure and simple. – Jean Piaget, *The Moral Judgment of the Child*, 1

The primary distinction between the rites-and-rituals and symbols-and-signs of childhood vs. those of adulthood is the adult's greater store of mental rather than primarily sensorimotor schemes of action. For the child, the development and fixing of a ritual is followed and accompanied by a feeling of pleasure in the *regularity* the ritual provides. Mental physics finds that this originates in the nature of the synthesis of apprehension. Regular rites or rituals constitute an equilibrium cycle, predictable by its very regularity. As such, it is expedient for the categorical imperative of pure practical Reason and this expedience can easily be judged *predictably* by the process of reflective judgment. The person's idea that in such rituals there are rules follows upon the establishment of practical maxims in the person's manifold of rules. Thus, mental physics confirms at the deep level Piaget's empirical hypothesis from his observations.

This same character of mental functioning also explains the phenomenon known as the Hawthorne effect. To briefly review, it was discovered in the 1920s that changing environmental factors, such as the lighting level, in the workplace temporarily produces an increase in productivity (regardless, for instance, of whether the lighting is made brighter or dimmer). The discovery of the Hawthorne effect was the beginning of the end for Taylorism – so-called "scientific management" – as an objectively valid theory of management practice. Put simply, the change disrupts the ritual; the tension this produces triggers accommodation (change in behavior) until the new factor can be assimilated in some way into the person's already-established totality of practical rule structure and a new ritual ("routine") is established for assimilation of the new factor. Piaget describes the empirical manifestation of this process in the following words:

In the case of learning by experience . . . accommodation is differentiated and, as this process progresses, elementary rhythms are integrated into vaster systems which no longer show any regular periodicity. On the other hand, a second fundamental structure now appears which continues the work of the original periodicity and consists of regulations . . . This system tends to be conserved as a totality as long as the external phenomena remain unchanged, but, once they are modified, accommodation to new phenomena involves a "displacement of equilibrium". But these displacements are not uncontrolled and the equilibrium that is re-established by assimilation to previous perceptual schemata shows a

tendency to react in the opposite direction to that of the external change. There is therefore regulation, i.e. the occurrence of antagonistic processes comparable to those already manifest in periodic responses, but here the phenomenon occurs on a larger scale, which is much more complex and far-reaching and does not necessarily show periodicity. – Piaget, *The Psychology of Intelligence*, pp. 186-187

Once again, this empirical finding is congruent with and supported by the mental physics of human nature. We thus have empirical-hypothetical psychology and the consequences of the mental physics of mind going hand-in-hand with each other. Two corollaries are to be noted in this. First, the regulating reactions are antagonistic to the external change that produced them. All by itself this is enough to explain something managers very frequently observe – namely that people initially tend to fight or at least resist changes. It is only when tension cannot be removed by simple ignorance that accommodation of actual behavior is effected by the affected individual. This corollary carries with it a warning to the leader: his own actions in producing the tension will also be made an object for the antagonism of psychological regulation. If the follower's accommodation ends up being directed against the leader rather than at whatever the object of the leader's action was (the perception of which stimulated the tension) any *compulsory* aspect of the leader's action is going to arouse feelings in the follower antagonistic to mutual cooperation. Leader's actions perceived in a plutocratic context lead to *weakening* the follower's commitment to rules providing the foundations for duties of obligation and to denial of authority to the leader.

The second corollary concerns the rule-like interpretation or attitude towards rituals that the individual adopts. It is common to hear people loosely speak of their "duties" – and, actually, "chores" is the more accurate term – in the workplace. This is a reflection of the social dimension grafted upon the rhythms and regularities of habits. It is also a reflection of the psychological character of judgmentation that produces satisficing behaviors in the motivational dynamic. What Toynbee mistook for "mimesis" is nothing else than the predictable tendency for accommodation to take the swiftest route for re-establishing equilibrium. Interactions among individuals do not tend to produce stereotyped behavior by all individuals but, rather, mutually compatible rituals of action-response, the rhythms of which come to constitute customs and folkways in a mini-community. Toynbee was wrong to suppose that his "creative minority" had to somehow *produce* customs for the sake of productive mimesis. Those customs are going to develop strictly out of the mental physics of human nature. What the leader must do is *guide* the specific forms these customs eventually assume so that they are channeled into habits that conserve the totality of the mutual cooperations necessary for mere enterprises to merge into a common Enterprise.

This is precisely what plutocratic governance of leadership fails to sustain. So long as the challenges faced by the community are not too severe – and assuming real community had ever

been established in the first place – this sustaining is not particularly difficult to achieve because rhythms-customs produce tendencies of the motivational dynamic favoring conservation. It is when the challenges become difficult to meet where the manner of governance of leadership becomes the crucial and determining factor. More severe challenges stimulate greater degrees of tension in the individuals affected by them. This, in turn, makes accommodation more difficult – because more of the structure in the manifold of rules is affected – and the individual solutions to the re-equilibration problem become more dependent upon factors of personal experience and, therefore, more difficult for the leader to affect in the way he desires. A system of plutocratic governance tends to bias those in authority figure positions towards maxims founded on duties to oneself, and over time these maxims *themselves* are made habitual and ritualized. Therefore the tensions these authority figures themselves experience due to the challenges tend to produce leader's actions antagonistic to sustaining maxims of mutual obligation. When this progresses too far within the body politic of an Enterprise, the process of breakdown commences.

As in the history of vanished civilizations, rulers of plutocratic entities can usually find short-term means for holding an entity *nominally* together until they can retire their own enterprise or find a more satisfying venue from which to practice it. After this they usually cease to care altogether about what happens to the old entity. The methods available to them are more or less classic and well-known. In commercial entities they go by euphemisms such as cost-cutting, right-sizing, redeployment of operations to locations "with more favorable labor costs," and so on. These actions typically accelerate the growth and secession of its Toynbee proletariat, but this effect can be ameliorated in the short run by occasionally replacing them wholesale with another group of enterprise entrepreneurs. For a time they can accomplish whatever tasks need to be accomplished. In social-natural fact, they form a *new* entity. This new entity often continues to bear the name of the older, and so the individuals are united by nothing but a name.

Who succeeds when plutocracy turns an Enterprise into a mere entity? The answer to this does not matter in the wider context. Some individual entrepreneurs will satisfy their private purposes and they therefore are successful. Others will have their private purposes frustrated and they are therefore unsuccessful. In the disintegrating entity some people do have more advantages than others. The despot who has led his Enterprise into breakdown and devolution into an entity often has enough information available to him that he can, as the saying puts it, "see the hand-writing on the wall" in time to find a place to flee with his enterprise before the old entity's collapse becomes too visible. From this place he can point back and say, "They didn't fail on my watch." He can *claim* his actions "saved" the entity during his tenure, implying that it fell (if it falls soon after) *because* of the incompetence of others instead of *his* incompetent leader's actions.

Or, on the other hand, it might be a board of directors representing the capital investors who first spot the handwriting on the wall and try to head off disaster by firing the despot. When this happens, the board's own failure of leadership governance can be masked by false accolades for the outgoing despot they have just removed. In the meantime, they can be preparing their own refuges in case the new despot performs no better.

Others within the entity, occupying lower management or non-management positions, might see trouble coming and remove themselves from the conceived dangers by abandoning the entity. It was once said of J. Edgar Hoover that, "He has driven away more good personnel than most agencies ever see." If the administrators of the entity can attract competent enough replacement entrepreneurs this loss can be ameliorated and the fall of the entity can be slowed. However much an expatriate of an entity might harbor ill feelings towards particular former associates, he usually is largely apathetic about what happens to the entity itself, and so its increasingly antisocial character goes largely unobserved by outsiders.

When the signs of disintegration cannot be concealed – the layoffs are too massive, or the incidents of civil disorder too frequent, or the divisions of a caste system too visible – the blame can be shifted to "the old management" or "the union" or "the local tax structure" or "the other political party" or any of a multitude of other straw man scapegoats. Then plutocratic actions can be painted as unfortunate but necessary measures that must be taken, e.g., "for the good of the shareholders" (in the case of a commercial entity) or "for the good of the people" (in the case of a political institution). When one hears that particular propaganda code phrase, one can be almost certain the entity is nearing the end of mere breakdown and the beginning of disintegration. One can be quite certain the entity is no longer an Enterprise at all and that its governance of leadership is entirely that of a falling plutocracy – rule by Toynbee's dominant minority, the splintering of the old majority into a divided proletariat, and the vulnerability of all to predation from the outside denizens of its particular jungle.

As the entity has already lost its substantial identity but can still retain a nominal definition of identity, these tactics amount to little more than either cycling new entrepreneurs into vacancies or, frequently, an outright fall in its population. Stagnation, contraction, breakdown of cooperation, and loss of revenue the entity requires for its sustenance follow.

The entity has become a transient happening, an *Unsache*-thing that *as a corporate entity* can no longer succeed but can present to outside onlookers the mere semblance of success for awhile longer. No one can predict for how much longer the entity nominally called HP or the entity nominally called IBM or the entity nominally called U.S. Steel will continue to hold on to a distinct nominal identity. One can predict that as the years pass the cast of persons operating in

those jungles will turn over again and again until it is utterly devoid of real meaning to speak of a continuity of *Existenz* for that entity. Its name will be the last thing to go. In the interim, some will find success for their enterprise, others will meet with failure, some will flee, some will be exiled. Long before its final nominal dissolution, the community of Enterprise – if there ever was one at all – will have perished. The longevity of a plutocratic entity is nothing but a fiction.

## § 5. References

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