

## Corporate Dystopia

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Gerald F. Davis, [The Vanishing American Corporation: Navigating the Hazards of a New Economy](#) (2016).

Sometimes reading a book about one's own field can be a painful experience, not because there's anything wrong with the book, but because the book is so instructive and insightful as to highlight one's own shortcomings of knowledge and understanding. I had this bittersweet experience with [Jerry Davis' \*The Vanishing American Corporation\*](#).

The vanishing corporation in question is the big, publicly-traded manufacturer that dominated both economy and society from the end of World War II through the 1970s. Since 1980, this kind of company has been disappearing, relatively speaking. But we knew that, didn't we? Sure, what with restructuring and downsizing, our awareness is keen. But I'm not sure we have appreciated the extent of the change and grasped its implications. That's where Jerry Davis comes in. Davis, who is on the both the business and sociology faculties at Michigan, brings the perspectives of both disciplines to bear as he takes a broad view of the evolving role that corporations play in society. The presentation is also historical, as makes sense for an account that asks us to compare what we have now with what we have lost. The book takes us from post-war managerialism and a world where the big corporation is far and away the dominant employer, to the economic crisis of the 1970s and eroding confidence in American managers, to the leveraged restructuring of the 1980s, and finally to the tech-centered present. The focus is on employment, welfare provision, and the corporation's social presence in tandem with an account of the evolution of shareholder-manager relations and corporate governance. The big corporation starts to shrink after 1980 and keeps on doing so. This starts with a big bang: the conglomerate bust up of the 1980s, and with it, the end of life-time career tracks and narrow salary dispersions within corporate hierarchies. Thereafter, between competition abroad and shareholder value maximization at home, the process continues more quietly but just as determinedly. Gradually, corporate institutions give up (or, in some cases, default on) the responsibilities for social welfare provision they assumed in the years after World War II. Today, a company centered in a national economy in which welfare provision was remitted to the state in the years following World War II is *ceteris paribus* a fitter competitor than a US company saddled with the burden of providing medical benefits for its employees. Meanwhile, what were once corporate careers have evolved into temporary corporate jobs, and not all that many of them, particularly in the tech sector. Future generations may not get corporate jobs at all, instead performing piecework tasks distributed through internet clearinghouses.

For this corporate law academic, Davis' account comes as a needed corrective. We have spent a quarter century in the field worrying about excess management power and agency costs against a policy template that depicts shareholders as a legally disabled class holding a species of permanent regulatory entitlement. In Davis' view of the world, the decisive phase of the struggle between managers and shareholders ended before 1990. It was all over but the shouting once managers internalized shareholder value maximization as the appropriate corporate goal and turned it to their own advantage by revamping compensation systems, with the losers being the vast class of employees lacking capital endowments. Where once industrial organization posed a continuing question of "make or buy," now there was a clear, simple answer: "buy," and buy from wherever labor is cheapest. And don't worry too much about your purchase's more particular origin abroad, at least so-long as dirty facts don't get out and catch the public eye.

One ends up wondering what the future holds for our students. Davis does too, offering two scenarios, one bleak and the other optimistic, the optimistic one focused on a new localism facilitated by technological advance. Unfortunately, the optimistic projection, while spirited, is also highly imaginative and does not outweigh the bleak one in the mind of the reader.

Summing up, this is a splendid, holistic view of recent corporate history, stated for the most part as a succession of fact. The prose is clear and lively. The narrative line is strong, and fleshed out with telling anecdotes and impressive statistical showings and comparisons. The voice is passionate, but resolutely and consistently reasonable. I warmly commend *The Vanishing American Corporation* for a stark and instructive perspective on a story with which we are all familiar.

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