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## NOTES AND COMMENTS

### UNDERGROUND STRUCTURES OF THE DEMOCRATIC STATE

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*The paper offers a sociological explanation for the underground structures which arise in societies organized as political democracies. The case of the United States is used to explore this curious fact. The disjunction between democracy in public life and inequality in private life is resolved by the underground structures of the democratic state. In brief, as a stratified society becomes more democratic, secret police are used to destabilize social and collective movements toward equality. The preferred strategy is to destabilize class enemies abroad and to draw upon the profits of the global capitalist system in order to sustain legitimacy at home without repression or deception. When this is not possible, the crisis of capitalism requires the state to go underground to control class enemies at home. Workers, socialists, women and minority groups come under secret surveillance. Social justice is defeated while the appearance of popular governance is sustained.*

In addition to the FBI, the CIA, the NSA, the Drug Enforcement Agency and the Secret Service, the U.S. federal government has eighteen other agencies which engage in surreptitious surveillance of U.S. citizens. To these one must add the secret activities of the urban police in the largest 300 or so American cities. And many states, led perhaps by California, also have a secret state police capacity. Contemporary theory in American sociology on the state, on the whole society, in deviance or in urban theory ignore this most interesting and permanent part of the social order. In her otherwise excellent analysis, Van fossen (1979) devotes one sentence to the role of secret police in maintaining the stratification of power in the U.S. Roach, Gross, and Gursslin don't mention police in their (1969) treatise on stratification in the U.S. nor does Merton (1968) mention the underground structures of the state in his essays on Social Structure and Anomie. One might wonder whether the FBI is rebellious or merely

innovative when it spies on citizens without proper cause. Neither Janowitz (1978) nor Lipset (1960) discuss the role of secret police in the political process.

In contemporary sociological theory, secret police, surveillance, and "destabilization of dissent movements" are seen to be the proper domain of deviancy, abnormal psychology or they are taken for granted in democratic societies. However, this pervasive social form is large, expansive and a growth industry (Donner, 1981). A more sociological way in which to understand the vast underground apparatus in place in a democratic society is in terms of the functional needs of a social formation which, by law, by rhetoric, and by organization is democratic in the public sphere and undemocratic in the private sphere. The juxtaposition of two hostile governance systems create the need for a linking apparatus by which the contradictions between democracy in the public sphere and private authoritarian relations in shops, factories, schools, universities, offices, and state bureaucracy can be reconciled. In the United States, Britain, France, Germany, Italy and other nations with formal democracy in the political sphere and with bureaucracy or stratified relations in business, industry, education and commerce, several irreconcilable conflicts arise. Underground structures of the state are used to reconcile these conflicts on behalf of class, ethnic and elite privilege where the state operates within the logics of capitalist, racist or bureaucratic systems such as the USSR.<sup>1</sup>

It is not possible to insulate the spheres of authoritarian relations from the political process in democratic societies. In authoritarian political systems as, for example, Brazil, Chile, Korea, or the Philippines, there is no contradiction between the two sectors of society. In democratic societies, the inequities in the private sphere come to be registered in the political sphere by means of the electoral process and by social movements outside the formal structure of politics. The same is *not* true in those societies with authoritarian regimes. Indeed, in many societies, the state is the open enemy of the oppressed minority, the exploited worker or the hard-pressed consumer. El Salvador, South Africa, Brazil, Korea, Indonesia, the Philippines, and Chile are ready examples. In Guatemala, a death squad meets openly at a favorite bar after its grisly work. There is little political need for underground structures in a society in which class, racial or gender exploitations are official objectives of the state apparatus. It is in the nations where democracy has a handhold in the political sphere in which the need for a secret, destabilizing capacity arises. The purpose of this

paper is to offer a structural analysis of the rise of state espionage and illegal state activity in these partial democracies.

### *The Rise of the Democratic State*

The democratic state arises in European history as a device to dismantle feudal relations on behalf of an emerging bourgeoisie. Having done its job, the state is expected to maintain the conditions of capitalist expansion, to moderate the harshest effects of market relations and to protect national industry and commerce from outside capital. The family and the church are to absorb the endemic alienation of capitalist relations.

However, in the past hundred years, since at least the time of Bismarck, the capitalist state has intruded ever more into the private sphere. The state confronts the authoritarian relations in industry, agriculture, banking and the market place on behalf of workers, consumers, and residents of polluted cities and towns as the principles of collective organization are adopted by workers and others to moderate the relentless press for profits in the private sphere. The logics of political democracy are such that the state cannot insulate itself from the real sufferings, outrages, abuses, and depredations of capital. Dangerous working conditions, rising prices, falling real wages, unsafe products, unusable water and unbreathable air all become the subject of political discourse and the structure of capitalist production is threatened as elected functionaries respond. If they do not, mass politics moves away from them toward others who will respond under the hope of political office.

As democratic processes continue to constrain private capital, it becomes necessary, in order to preserve the system, for the state to draw lines and to slow down the press for state remedy. As a consequence of even limited democratic participation, real troubles arise for private capital. Profits are lowered by laws making the workplace safer. Profits are lowered by making products safer. Profits are lowered by laws requiring purer air and water. Profits are lowered by paying higher wages, by workers' compensation, by retirement and vacation benefits and by taxation. Taxation is higher as the welfare function of the state grows. The military capacity increases under the very real threat to capital by other capitalist states, and by socialist and nationalist liberation movements in the Third World where essential minerals are found and essential markets are located. The state bears the costs of policing the world while the capitalist class reaps the profits. The state must take sides.

Under these structural conditions it becomes necessary to limit the intrusion of the state into the private sphere. Private capital must be able to make investment, dividend, and automation decisions apart from the objective interests of workers, consumers or citizens. Democracy must be limited if capitalism is to survive. Programs of social justice are sacrificed and political legitimacy declines. The question is how to preserve capitalism and preserve the formal procedures of democratic governance.

### *The State Goes Underground*

The solution to the structural incompatibility between democracy and capitalism is solved in the present epoch by the growth of surreptitious state structures which direct their animus against selected sectors of the population. The state functionaries establish secret police agencies, one after another and give them a charter vague enough to satisfy friendly scrutiny but focused well enough to signal directors and agents as to whom they are to police.

Briefly, the state transforms into clientage organization. It serves those clients who are established, serves well those clients with economic power and drops those clients who are weak, unorganized or who are isolated. Minority groups, women, the unemployed, children, the sick, and the aged are dropped as state clients. The ill, the aged and the young are difficult to organize as are the desperately poor. There is little need for the state to watch and to harass these sectors of the population. However, workers, Blacks, Indians, Chicanos, women, and college students, anti-nuclear partisans and socialist groups can be organized, can make demands on the state apparatus and must be watched and destabilized if inequality is to be reproduced. Religious groups against military action in Latin America and Africa must be infiltrated and destabilized as well if access to raw materials and to markets is to be guaranteed to the larger capitalist corporations. A whole range of people, groups and movements become enemies of the state.

However, there is nothing in the logic of democratic participation which permits the state to serve small business, banking, larger unions, well-organized European ethnic groups, agriculture, and the transnational corporation while withholding clientage from other people constitutionally and legally entitled to political participation and state response. In order to survive, the state must maintain its legitimacy. It does so by serving part of the population excellently well and by

going underground in its disservice to those who would create new demands upon the economy or upon the state.

### *A Brief History*

In the early years of the United States, the repression of enemies was open and practiced in both state and private sectors. After the American Revolution, eight states banished loyalists and, together with the Sons of Liberty, drove out thousands to Canada and South America.<sup>2</sup> At the turn of the century, the Federalists controlled state power and used it openly against the Jeffersonians. When the Jeffersonians came to state power, they openly repressed Federalist supporters. Again the state and private sector joined to punish its enemies. And in the years of slavery, the state and private groups jointly oppressed Blacks and abolitionists.

During the Civil War, Southern sympathizers were repressed by state and private parties. The Bill of Rights was suspended by Lincoln for the duration. In the reconstruction of the South, the victorious North put the South under military rule and, as expected, underground structures (the KKK) were organized by opponents of the state. After 1872, in the South, the state apparatus was in the hands of Southerners. The state and the KKK combined forces. Repression was practiced without underground state structures.

Prior to the turn of this century, the crises of capitalism deepened and workers began to organize. The state openly used the militia to protect the interests of employers against workers. During World Wars I and II, the state openly suppressed opponents of the wars and, without cause, placed 20,000 or more Japanese-Americans in concentration camps during World War II. Until the post-war period of 1945-80, the efforts at repression by the state apparatus were done more openly than in secret. Since 1947, the American state has gone progressively underground. The growth of the FBI and CIA has been phenomenal.<sup>3</sup> From 1955 to 1978, the FBI alone conducted 930,000 investigations focused mainly on people who were not suspected of any given crime (Donner, 1981:127). The CIA is underground because its actions are hostile to the interests of workers and minorities in the countries in which it operates. The CIA has maintained large secret armies in large secret wars against Cuba and Cambodia and, more recently, against Nicaragua. Its present operations are secret and its warrant to expand operations at home recently (October, 1981) enlarged.

The CIA and the other underground structures of the state in the U.S. have grown large as Blacks, women, and anti-war, anti-nuclear

forces gain popular support. The FBI and the various plumbers of the Republican party went underground to destabilize these movements. The sociological point is that as oppositional movements gain popularity, the democratic state must go underground if it is to destabilize them since, in law and in democratic theory, there is every right to oppose. And these movements must be destabilized if capitalist relations are to be preserved. The state and its economic system cannot meet the demands of both capitalists for funds to expand and minorities for social justice (O'Connor, 1973).

#### *Tactics of the Underground State*

The tactics of the underground portion of the state apparatus are well known. They include wiretapping, computerized interception of microwave telephony, mail intercepts, infiltration of secret police into left-wing groups, Black power groups, White power groups, Neo-Nazi groups, and women's liberation groups. Accurate, timely, relevant information about their plans come to the hands of state functionaries. As these groups are increasingly excluded from orthodox political processes, they turn to unorthodox processes.

The techniques used by the FBI in its five Cointel programs included fictitious letters attacking organizations through false, defamatory or threatening information; forging signatures, letterheads, membership cards, disruption, false rumors, creating bogus organizations, labeling leaders as "snitches," using the media to attack groups and individuals and obstructing the hiring of meeting places (Donner, 1981:181-182).

Even if not illegal, these unorthodox activities can be used to destabilize a movement before they can successfully add to the fiscal crisis of private capital or to the legitimacy problems of the democratic state. Public sector workers can be fired for violating their oath, teachers can be fired for not meeting their classes, nurses can be fired for deserting the patient and students can be put on social probation for disrupting classes.

Right-wing groups receive subtle signals that their private policing of Black power advocates, left-wing groups and religious movements come under the benign eye of the sympathetic state functionary. Left-wing groups are tarred with the KGB brush. Every effort is made in the private right-wing press to link these groups as well as militant unions and Black activists to the Communist Party of the USSR via the Communist Party of the USA. Similar efforts are made in Congress

by sympathetic congresspersons who are convinced that only an evil outside influence could lead otherwise good Americans astray.<sup>4</sup>

On occasion, the democratic state will resort to violence against those who mount effective opposition to the logics of capitalist growth—especially in the Third World. The various efforts to assassinate Castro by the CIA in Cuba and to eliminate opposition to friendly regimes are examples (Powers, 1979). There is speculation among Black activists that the FBI located Black Panther leaders and local police SWAT teams killed them in several cities across the U.S. in the late sixties and early seventies (Donner, 1981:226). And the record of secret armed intervention in the third world has been slowly revealed in the recent past. Chile, Cambodia, and Angola are well-known cases as has been mentioned. There is, today (1983), an appropriations bill before Congress to provide another 19 million dollars to support the secret war in Nicaragua.

Again, the best explanation of this secret military capacity is that the democratic state must oppose the transformation of market relations to national or collective purposes on behalf of global capital else it lose legitimacy at home. This threat to legitimacy is direct in terms of loss of funding for political parties and indirect in terms of the pressure from client groups including workers and middle-class professionals whose prosperity is directly tied to the sale of American goods on the world market and to the profits repatriated from Europe and the Third World. There are 500 multinational corporations which control the global capitalist system of which 300 are based in the U.S. (Barnet and Muller, 1974).

The need for secrecy of action arises from the fact that, in a democratic state, significant opposition to such venture would be mounted were such policies ever debated in the public sphere. There is tacit *post hoc* approval for secret programs mounted against class enemies of the state (Powers, 1979). When presented with the accomplished fact, most people will accept even the dirtiest piece of work in a sort of resigned realism. However, when such public discussion occurs before the fact, all but the most determined political leader would desist rather than suffer criticism should the venture fail.<sup>5</sup>

The U.S. routinely uses the International Monetary Fund, AID and the World Bank to destabilize class enemies abroad and to support undemocratic regimes (Merip Report 69). The case of the Dominican Republic is the latest such political, secret, and improper use of such financial institutions. In violation of the charter and of public statements, the financial power of these institutions is secretly deployed

against socialist and nationalist liberation movements. Recently, the official policy of the U.S. has changed regarding the political use of food. Heretofore, such use was given a gloss of legitimacy. Now there is no effort to mount a cover story. The fact that U.S. state functionaries no longer feel a need to lie or dissemble is an ominous sign. It signifies a move to the side of openly repressive regimes. Public opinion at home and abroad maybe ignored—either it is expected that opinion will be favorable or such states are past caring. It is ominous in either case.

#### *Crime and the Underground State*

In another paper, I have set forth the ways in which the capitalist market system stimulates crime (Young, 1978). And in order to control the crimes against the capitalist corporations—bank robbery, swindling, fencing, conversion, forgery and such—as well as crimes against middle-class property and sobriety—auto theft, burglary, narcotics and fraud—it is necessary to devote a large portion of the resources of the underground state to criminal activity. Crimes against workers—health hazards, union busting, pension fund cheating, relocation of jobs to Third World countries and any other criminal acts are not policed. And crimes which divert and pacify the masses are loosely policed; gambling, inner city drug use, prostitution and usury seldom see vigorous police action of the sort levied against Black power, civil rights, or anti-war and socialist groups. Crimes against minorities and the lumpen proletariat are routinely discounted as proper targets for underground state activity. The murders of the four civil rights workers in Mississippi were a notable exception. There the FBI used its secret police capacity against a secret police capacity in the private sphere.

The system which gives rise to an ever increasing crime rate also gives rise to an ever increasing underground apparatus. The boundaries of crime and the effects of crime cannot be safely contained against class enemies and must be policed. Corporate crime takes middle class consumers as its victims as well as the worker. The rackets peddle drugs to pacify the lower classes but also touch the children of the middle classes. Street crime is, for the most part, contained safely within the inner city but often moves into the placid suburbs. Only white collar crime is outside the purview of the underground state apparatus for a peculiarly good reason. Crimes against the corporation involving its own employees and professional consultants are policed by a huge private army of secret police. There are almost as many

private police (810,000) as public police (870,000). One-third of employees studied report they steal from their corporate employers (BJS, 1983). Loss is estimated at up to 10 billion dollars. The private security police and detectives are used in order to avoid the publicity and to avoid the criminal justice system. The corporation prefers to deal with its own employees, with shoplifters and with bad-check writers on its own terms. It is not profitable to send a bad-check writer to jail—better to collect the money. And many shoplifters are middle class children and parents—friends of friends of the country club set. And many employees caught converting property or appropriating company funds are high level executives. It is not good form to call in the police to handle the crimes of friends and family. And the rigors of jail and prison offend middle-class sensibilities. All in all, the secret policing of crime requires a growing underground state apparatus but is deployed largely against lower classes and the under-class.

#### *Underground Structures in the Private Sector*

All major corporations have secret policing capacities for commercial espionage, for bribery of purchasing officers and of government officials and for checking on its own employees. These structures are also used to corner markets in unofficial coalitions with other corporations. They are sometimes used to destabilize competitors at home and abroad. Private and public hospitals, asylums and nursing homes also have a rich underlife as do prisons, armies, and universities. Each case is different to be sure and each case needs its own separate analysis in a given historical setting. The general point can be made, however, that underground structures arise in these as in the state sector as adjusting, adapting, linking mechanisms which subvert publicly given rules, programs and social life worlds while maintaining the dramatic appearance that these officially adopted structures are intact. Underground structures provide a secret and illegitimate resolution of the contradictions of the capitalist society—indeed of any social system in which equality and service are the policy but inequality is the practice.

While this paper has focused on the underground structures of the democratic state, a more complete political sociology would also consider the underground structures in the private sector. Donner (1981) has reported on some of these structures but without a theoretical or a sociological analysis of them. There are right-wing armies, private security agencies, a network of think tanks and political action

groups of a wide variety left out of analysis of politics in democratic states. I want to emphasize that, by locating repression in underground structures in the private sector, the democratic state can exculpate itself from charges of class bias, ethnic or gender discrimination. One must consider what kind of picture of our national political structures emerge when we include underground structures of power in both the public and in the civil sectors. This territory is barely charted.

#### *Now and the Near Future*

At present, the chief enemies of the capitalist state are the socialist liberation groups abroad and the various unorganized groups at home cut loose from state clientage by the Reagan Administration—and all other capitalist nations of course. They pose no great problem. However, two enemies loom on the horizon. As Reagan economic policy becomes effective, both organized labor and the left-liberal camp will become threats. Both will have to be the subject of surveillance and destabilization. Workers especially are expected to absorb the alienation of the capitalist system in crisis by producing more, by taking lesser wages and fewer benefits, by working in more dangerous conditions, by paying more for food, shelter and transport as well as by surrendering aspirations for their children. Workers' groups will have to be watched in secret, for since the Wagner Act of 1935, union organizing is not illegal.

At the same time, private and corporate crime will increase as more people are disemployed and excluded from the market place while more pressure is exerted to dispose of surplus production through advertising and holiday exhortations in the media. The increase in crime—burglary, mugging, auto theft, shoplifting—will give a gloss of legitimacy for state surveillance on all suspect groups. The growth of white-collar crime will give industry and commerce a warrant to spy on its employees, thief and union organizer alike.

In brief, the secret parts of the state expand in time of crisis in the democratic state organized in a capitalist mode of production and contract if and when the crisis is, once again, managed. It is very likely to expand now and in the near future.

#### *Summary and Conclusion*

In any inquiry into invasions of privacy, into the illegal use of surveillance and into the growth of the surreptitious action of the democratic state, close attention must be paid to the structural features of

the society in which this activity arises. It is not enough to focus upon the new electronic technology as clever and as widespread as these may be—the computer technology, laser technology, television, microwave and mathematical innovations do, indeed, help the state to do secret things against its own citizens in contravention of constitutional and guarantees legal proscriptions. And it is not enough to register the frequency and variety of such illegal incursions into private life by the state. A sociology of knowledge and a political sociology require a structural analysis. It is important to understand how this secret political activity fits into the whole system.

In this paper, I have set forth the thesis that a democratic *and* capitalist state must go underground and do illegal things if it is to maintain its legitimacy. First, there is the disjuncture between participatory relations in the political sphere, on the one hand, and authoritarian, privilege relations in the private sector, on the other. The democratic state in capitalist societies resolves this incompatibility through its underground structures largely in favor of privileged class, ethnic or gender relations. Then there is the need to guarantee overseas markets and materials to the home-based transnational corporation. In the context of international law and formal agreements within the capitalist bloc, it is necessary to do secret things against other capitalist states in order to keep or improve national advantage. Then too, socialist and nationalist liberation movements must be contained or the space available for capital growth continues to diminish. Then, at home, the growth of crime requires the capitalist state to spy on a great many people while any increase in social movements toward social justice, equity and equality must be thwarted in secret.

The organization of public political life in the U.S. brings in a good deal of democratic participation and a good deal of progressive legislation. It is in the underground structures of the state where the effects of democracy can be contained and reversed. Demands on the state in capitalist society have grown apace in the past century. The capacity of the capitalist system to provide social justice and to provide for ever increasing private accumulation and concentration of wealth clash with each other and is limited. In the past ten years, the limits have been expressed in unemployment, inflation, decline in gross national product among leading capitalist nations in Europe and the U.S.

The democratic state has suffered a great loss of legitimacy as measured by opinion polls regarding confidence in political leaders,

legislative agencies and administrative agencies. The loss of legitimacy is also reflected in the rapid swings from right to left and back in the democratic states of Europe and North America. In other times, war and depression would renew the economy and renew political legitimacy. In this situation, the state must cut its losses, shift responsibility to local and state agencies, detach powerless clients, drop programs of social justice and aggressively restrict the public sphere in order to reconcile class, ethnic, and gender privilege to democratic principles of equality and equity. The underground structures of the state are most useful to this reconciliation.

The American public had been taught a kind of child's history of the world, sanitized of the rougher facts of international life. A Victorian political morality obtained. Presidents, congressional leaders, the Pentagon, and the State Department all found it convenient to let the public assume that only the Other Side did things like that. We did not bribe foreign politicians. We did not undermine other governments. We did not invade other countries with secret armies. We did not spread lies, conduct medical experiments, put prisoners in padded rooms for years on end, build stocks of poison, sabotage factories, contaminate foodstuffs, pass machine guns to men who planned to turn them on their national leaders. Above all, we did not plot to kill men for nothing more than displeasing Washington.

—Thomas Powers

#### FOOTNOTES

1. It would be tempting to dismiss the USSR as a society which does not conceal its hostile police capacity vis-a-vis dissidents for much the same reasons as do the military dictatorship in Chile, Argentina, or Turkey. However, structurally the USSR confronts another problem. The problem in the USSR is that the relations in the factory, shop, and farm are, in part, organized democratically, and relations in the state not so organized. Again to reconcile the structural discontinuity between relations in the democratically organized productive system and the authoritarian state, a linking system is necessary. The not-so-secret police resolve this structural contradiction in favor of the state interests. What little democracy obtains in the economic system is safely contained and directed toward fulfillment of state norms and centralized plans.

In Poland, the democratic relations have burst the political bindings and are no longer safely contained in the workplace. Whether this extensive intrusion into the state sphere is turned back by the forces of the state, or degenerates

into mere interest group politics or transforms into an authentically socialist society is the central point of interest for concerned observers. In any case, one must not make the methodological error of lumping the "socialist" nations with the authoritarian regimes in the capitalist bloc. The structural features are very different.

2. See Albert Syzmanski, *A General Theory of Civil Liberties* (1980), The Red Feather Institute, for a detailed history of state repression in the U.S. of which this is a summary.
3. See David Wise and Thomas Ross, *The Invisible Government*, Vintage, for a detailed history of this agency.
4. Apparently, this tactic of "redbaiting" activists for social change cannot be overdone. Witness Senator Jesse Helms besmirching the character of Martin Luther King in order to persuade the Senate not to declare King's birthday a national holiday. Other comments by Helms, directed to the consequence another holiday could have on worker productivity, reveals the class nature of his concern.
5. The Israeli state routinely violates international law in secret and then ignores world opinion. Such opinion is pointless in the face of the success of the venture. Failures are quickly denied.

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BOOK REVIEW ESSAY

THE IMPLICATIONS OF "THEORY Z" FOR  
THE SOCIOLOGY OF ORGANIZATION\*

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William Ouchi's "Theory Z" can be regarded as a link between sociological theories of organization and empirical studies of organizations. The purpose of this essay is to examine the applicability of the ideas presented in his book to the sociology of organization. Contrary to the popular image, Ouchi's book is not simply about the applications of Japanese management techniques to American business practices. Rather, it concerns basic problems of the sociology of organization, and the book is full of theoretically interesting points. By looking into its background and by linking it to previous theories of organization, we shall be able to find new meaning in it.

In the first section, practical aspects of "Theory Z" are outlined. In the second section, Theory Z is discussed in relation to McGregor's Theory X and Theory Y. Through this discussion, it is possible to see Theory Z in relation to existing organizational theories. In the third section, Ouchi's empirical studies are discussed. Combining these three sections, we shall be able to arrive at a fuller picture of the origin and implications of Theory Z, and its place within the sociological study of organizations.

PRACTICALITIES OF "THEORY Z"

Riding a tide of popular interest in Japanese management, *Theory Z* by William Ouchi was on the bestseller list through the summer of 1981. What was his motive for writing the book? As Ouchi describes in the "Acknowledgments," he started by studying Japanese managerial practices, and then moved to the question of the applicability of Japanese management techniques. As the force of the Japanese challenge began to be felt by the general public, he was asked by the

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publisher to "write a book that would not promise simple-minded solutions but that would deal with the fundamental issues of Japanese management and American productivity" (Ouchi, 1981:ix). The result was *Theory Z*.

The book is written with a practical purpose in mind. In the author's own words; "This book addresses the practicalities of applying an understanding of Japanese management to the American setting (Ouchi, 1981:ix). In this sense the focus is on American corporations and not on Japanese management practices per se. This book, in fact, deals mainly with American corporations which have Japanese-type management characteristics. These corporations are called "Z Type" organizations, and the book introduces ideas on how to bring such features into American businesses. Ouchi describes thirteen steps by which American companies may be changed to "Z Type."

- Step One: Understand the Type Z Organization and Your Role
- Step Two: Audit Your Company's Philosophy
- Step Three: Define the Desired Management Philosophy and Involve the Company Leader
- Step Four: Implement the Philosophy by Creating Both Structures and Incentives
- Step Five: Develop Interpersonal Skills
- Step Six: Test Yourself and the System
- Step Seven: Involve the Union
- Step Eight: Stabilize Employment
- Step Nine: Decide on a System for Slow Evaluation and Promotion
- Step Ten: Broaden Career Path Development
- Step Eleven: Preparing for Implementation at the First Level
- Step Twelve: Seek Out Areas to Implement Participation
- Step Thirteen: Permit the Development of Wholistic Relationship

(Ouchi, 1981:Chapter 5)<sup>1</sup>

In addition to these practical considerations, however, Ouchi's book is full of theoretically interesting perspectives, especially points concerning theories of organization. Although Ouchi does not mention

the connection explicitly, it is correct to think that Ouchi constructed his theory with McGregor's Theory X and Theory Y in mind. A brief review of McGregor's contributions will link Ouchi's work with previous developments within the sociology of organization.

#### FROM THEORIES X AND Y TO THEORY Z

McGregor first proposed his theories in the early 1960s. In those days, much of the work in large factories was designed according to the principles of scientific management. Although created to solve problems on the shop floor, such a work design caused different problems among workers. This was especially true among unskilled and semi-unskilled workers. Typically, frustrated workers on assembly lines were affected (Blauner, 1964). Walker and Guest (1952) found that an average assembly line worker dislikes practically everything about his job, except good wages and other benefits he receives.

McGregor wanted to improve these conditions by introducing humanistic views to the management of industrial organizations. He gave the name Theory X to the assumptions underlying organizations created in terms of Taylor's scheme. Then, he called newer and more humanistic assumptions Theory Y. McGregor posited the following assumptions of Theory Y (Assumptions of Theory X are exactly the opposite).

1. *The expenditure of physical and mental effort in work is as natural as play or rest.* The average human being does not inherently dislike work. Depending upon controllable conditions, work may be a source of satisfaction (and will be voluntarily performed) or a source of punishment (and will be avoided if possible).

2. *External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed.*

3. *Commitment to objectives is a function of the rewards associated with their achievement.* The most significant of such rewards, e.g., the satisfaction of ego and self-actualization needs, can be direct products of effort directed toward organizational objectives.

4. *The average human being learns, under proper conditions, not only to accept but seek responsibility.* Avoidance of responsibility,

lack of ambition, and emphasis on security are generally consequences of experience, not inherent human characteristics.

5. *The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.*

6. *Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.*

(McGregor, 1960:47-48)

In addition, McGregor points out an essential implication of Theory Y: "the limits on human collaboration in the organizational setting are not limits of human nature but of management's ingenuity in discovering how to realize the potential represented by its human resources" (1960:48).

It is likely that McGregor's propositions are acceptable to most who study industrial relations today. However, the principles dominating American industry are still closer to the assumptions of Theory X, not Theory Y. Piore (1982) attempts to explain this fact from the industrial relations perspective.

The crux of Piore's argument is that, not only management, but labor unions in the U.S. have built their bargaining power around the scientific management scheme. His view provides some explanation for the continued predominance of the scheme and recent economic developments. According to Piore, the process took place after the Great Depression, and eventually contributed to the strength of American industry: He points out that "there is literature going back to the 1930s arguing that union-organized plants in the United States were actually more efficient than their nonunion competitors because unions promoted the best managerial practice" (Piore, 1982:8). However, the whole industrial structure that supported the system is undergoing a drastic change, due to the changes in the international market structure and electronics based technological innovation. These are some of the factors that underlie the problems threatening American industry and the labor unions that have spurred re-examination of management-labor relations and it is within this environment that Ouchi's ideas have taken shape.

Key American industries, such as automobiles, steel, and machinery, face stiff competition from abroad. Japan, for example, has

shown remarkable growth in productivity.<sup>2</sup> A comparison of Japanese and American growth industries reveals that across the board, where fully automated processing is possible, U.S. industries are taking the lead. On the other hand, Japan is doing well in semi-automated industries. In other words, precisely the fields where, in fact, cooperation between labor and management in production is essential.

Several people have studied and reported good labor and management relations among Japanese corporations, especially large corporations (Vogel, 1975; Abegglen, 1958; Dore, 1973; Cole, 1971, 1979). Stephan Hill (1980:261) has made the following comment on the cause of such good relations: "Large private enterprises in Japan have remarkably peaceful industrial relations and a contributing factor is undoubtedly the form of moral cohesion instituted in corporate paternalism." The term "corporate paternalism" might not apply to all aspects of Japanese management. However, "moral cohesion" is a characteristic of most Japanese firms. Hiroshi Hazama (1971) applied the term "groupism" to such phenomenon, as contrasted with individualism.

There is no doubt that certain cultural factors are involved in the different types of industrial relations. However, one way to benefit from discussions of different types of industrial relations is to look for common factors among them. In this respect, we can certainly regard Ouchi's work as one taking such a comparative and cultural approach.

In order to grasp the impact of Theory Z, we must start from Ouchi's typology in which he categorizes different existing management types in the United States and Japan. Of course, these management types are related to underlying industrial relations.

Ouchi classifies U.S. companies with distinct American management traits as Type A, and Japanese companies with distinct Japanese management traits as Type J. Inspired by what his consulting clients pointed out in some American companies, he designates American companies with Type J traits as Type Z (Ouchi, 1981:58).

In essence he contrasts American companies having Type A traits with companies having Type Z traits. Type A is bureaucratic and mechanistic in nature. This type of company is based on individualism and competition but clogged with alienation and low productivity. Type Z, on the other hand, is more *organic* in nature, adaptive and cooperative with higher worker satisfaction and productivity. Ouchi himself uses the term *organic* to describe Type Z, in contrast to the more bureaucratic and mechanistic Type A.

In order to further our understanding, let us refer to Ouchi's table contrasting Type J and Type A.

<i>Japanese Organizations</i>	vs.	<i>American Organizations</i>
Lifetime Employment		Short-Term Employment
Slow Evaluation and Promotion		Rapid Evaluation and Promotion
Non-Specified Career Paths		Specified Career Paths
Implicit Control Mechanisms		Explicit Control Mechanisms
Collective Decision Making		Individual Decision Making
Wholistic Concern		Segmented Concern

(Ouchi, 1981:58, Second line added)

Here, we must clarify a few points concerning the table, although Ouchi refers to these, in part, in his former study (Ouchi and Johnson, 1978:294). Basically, Ouchi sees common traits in Type J and Type Z. However, "lifetime employment" in Type J would be "long-term employment" in Type Z, and "collective decision making" would be "individual decision making." In Japanese corporations, people tend to work for a firm practically their whole working life. Also, group decision making is a common practice. We cannot, therefore, completely equate Type J and Type Z. At any rate, the contrast is still clear between Type A and Type Z, as are the likenesses between Type J and Type Z.

What is explicit throughout the book is that, due to the "trust, subtlety, and intimacy" prevalent in Type Z companies, people are more satisfied with the work environment. Ouchi calls "trust, subtlety, and intimacy" the three elements of "Z Culture." And because of increased cooperation between management and workers and among workers, higher productivity results. The point Ouchi makes here is critical in judging his work, and this is exactly the point that makes *Theory Z* a practical book on management instead of an academic work. However, what Ouchi described about Z Type organizations is almost an exact re-statement of propositions made by the Human Relations School. Below is a summary of typical propositions of the Human Relations School (Haas and Drabek, 1973:47).

1. Organizations that appeal to both economic and social motives will have higher productivity than organizations that rely exclusively on economic motives.
2. Organizations that use group participation and involvement in setting goals will have higher productivity than organizations that do not.
3. Organizations with patterns of frequent upward, downward, and lateral communication will be more productive than organizations with predominately downward communication patterns.
4. Organizations in which members are psychologically very close (in which superiors know and understand problems faced by subordinates) will be more productive than organizations in which members are distant psychologically.
5. Organizations in which decision making is shared widely throughout the structure with well-integrated linking processes provided by overlapping groups will be more productive than organizations in which most decisions are made at upper levels.

What is pointed out in the first proposition about appealing to both economic and social motives of the worker applies to the description of Type Z, while organizations that rely exclusively on economic motives applies to Type A. Organizations that use group participation and involvement in setting goals will have higher productivity, the second proposition, applies very well to Type Z, as does the description about the communication process in the third proposition. Psychological closeness in the fourth proposition, in essence, is "Z Culture." The fifth proposition, however, applies to Type J. On the whole, it is very easy to see close association between the propositions of the Human Relations Schools and Ouchi's argument;<sup>3</sup> between the types of organizations that have higher productivity and Ouchi's Type Z organizations.

It is important to recognize that, before his book appeared, Ouchi was involved for a number of years in empirical research on Japanese management in the United States (Johnson, R. and Ouchi, 1974;

Ouchi and J. Johnson, 1978). It is of interest to find out what the theoretical background and hypotheses were in these studies. As we shall see, "Theory Z" is explicitly based on these studies.

#### REVIEW OF OUCHI'S EMPIRICAL STUDIES

As far back as the early 1970s, there were empirical studies of Japanese management from different points of view. Some were done from a business perspective, some from sociological and psychological perspectives. Ouchi took part in two studies which have implications for Ouchi's theory and sociological theory.

In collaboration with Richard Johnson, Ouchi worked on an interview survey in 1974 (Johnson and Ouchi, 1974). Twenty-one Japanese companies operating in the United States were surveyed. Johnson and Ouchi wanted to discover the factors that contributed to the success or failure of the Japanese companies. At that time, Japanese businessmen were trying to make their way into the American market, and Ouchi had not quite developed his theory with particular application to Japanese management techniques. But Johnson and Ouchi (1974:62) reported five important aspects of Japanese managerial practice.

1. Emphasis on a flow of information and initiative from the bottom up.
2. Making top management the facilitator of decision making rather than the issuer of edicts.
3. Using middle management as the impetus for, and shaper of, solutions to problems.
4. Stressing consensus as the way of making decisions.
5. Paying close attention to the personal well-being of employees.

They also stated that the "Japanese approach has some features that are exportable" (1974:62). In other words, Japanese management techniques have some characteristics that are common to good human relations. This point is significant in two ways. First it means that Johnson and Ouchi consider them relevant to organizational life in general. Organizations create certain ways of life, as well as problems

(Whyte, 1956). In industrial organizations, Human Relations techniques have been developed to help solve some problems, and Johnson and Ouchi say that aspects of Japanese management techniques also help in this regard.

Second, it has been maintained that industrialized societies tend to develop common features. This trend is discussed in industrial sociology as "convergence theory." So-called convergence theorists argue that industrial societies become more alike than different because of the common technological factors in the modernization process (Kerr et al., 1960; Inkeles and Smith, 1974). However, Johnson and Ouchi (1974) argue that practices in the U.S. are not "converging" with practices in other industrial societies, particularly Japan, and suggest that the absence of convergence with Japanese practices may create problems for U.S. industry in the future. Simply put, Americans may be able to learn something about organizational life from the Japanese. As Johnson and Ouchi (1974:69) state:

It is possible that Japanese methods are more suitable for crowded organizational life than the Western approach. Obviously, the American system of management, with its emphasis on ingenuity and entrepreneurial genius, has many strengths. But it rests on the underpinnings of a frontier society that exalted individualism and had more than enough opportunity to go around. In just 50 years, we have changed from a society in which most people lived on farms to a nation in which most people live in cities. . . . The West could accommodate ten thousand John Waynes spread over the vast landscape. But millions of John Waynes employed under ten thousand corporate roofs may not, in the long run, prove workable.

Ouchi's second study, published in 1978 in collaboration with another colleague, pursued the theme of convergence. Ouchi and Jerry Johnson set out to examine the effect of the urban environment on the control exercised by work organizations over their members, and it was during the data gathering process of this study that Ouchi formulated the typology of Type A, Type J, and Type Z. Despite the fact that this study of the effects of the environment was abandoned, after examining the correlational data between the organizational types, Type A and Type Z, and the emotional stability of the employees, Ouchi and Johnson (1978:311) concluded that "Type Z organization can certainly be said to incorporate some of the more

humane properties desired by McGregor (1960) and Likert (1961)."

#### SUMMARY AND CONCLUSION

*Theory Z* was intended as a practical book on management. However, this work is related to theories and research in the sociology of organization, especially the tradition represented by McGregor and the Human Relations School. When coupled with theoretical developments and research findings this tradition, Theory Z will probably inspire much needed research, particularly in regard to workers' conflicting interests with management. In the rapidly changing economic environment studies concerning types of control exercised over workers, as exemplified in Type A, Type J, and Type Z organizations, not only have tremendous social and economic impact but possess heretofore unrecognized relevance for the further development of theory in the sociology of organizations.

#### FOOTNOTES

1. Throughout his book, Ouchi cites cases he obtained through his consulting work, both successful and unsuccessful in creating "Z Culture." Formation of a company philosophy is a key development and Ouchi lists examples of philosophies of Z Type companies including Hewlett-Packard, Dayton-Hudson, Rockwell International, Intel, and Eli Lilly.
2. If we assign the number 100 to U.S. productivity levels in 1977, Japan is leading in such fields as transportation machinery (136.1), general machinery (173.0), electrical machinery (136.1), and steel (210.1). On the other hand, the U.S. leads in food processing (42.2), clothing (54.7), chemicals (69.7), and petro-chemicals (77.8) (Labor Ministry of Japan, 1981).
3. However, one thing is different. When the Human Relations School first developed these propositions, they were conceptual rather than empirical models. As far as Ouchi's theory is concerned, the organizations presented as models of Type A and Type J actually exist.

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