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OWNERSHIP AND CONTROL IN THE LARGE CORPORATION

Isamu KITAHARA

I

Contemporary capitalism differs in many respects from capitalism at its competitive stage. Transfiguration in *ownership and control*, with which this article is concerned, is one of the most important and central elements in the various changes which have created these differences.

Several phenomena are said to characterize modern-day *ownership and control*. First of all, there is the *divorce of ownership from control* in the large corporation, leading to de facto *management control* without any basis on capital ownership. The second phenomenon is the constant intervention by governments in the economic process and the new elements of *ownership and control* which this intervention has produced. Thirdly, there is the growing *participation* by workers' organizations in recent years in the policy decision-making processes of government and of individual company management, and the *pluralistic* environment surrounding the exercising of power, as typified by the influence exerted by various pressure groups.

All these phenomena mean that *control and power based on private ownership of the means of production* are partly infringed and regulated, and that power not based on ownership has come to the fore and increased. This raises many problems in respect of the basic propositions of Marxian economics concerning the capitalist system. Such Marxian propositions as the despotic control of the production process by capital, the formation of the two main classes, i.e. capital and labour, and the struggle between these classes, the seizure of state power by the capitalists, the transformation into a socialist system through radical change in the proprietary system, and so on, are all based on the precept that private ownership of the means of production by capitalists is the basic feature of capitalism. If it is true that this basic relationship has now changed, then naturally we must ask whether the abovementioned propositions are still appropriate.

In fact, those[1] who reject the Marxian view of the capitalist system and attempt to see modern capitalism as an "Industrial Society" or as developing towards the creation of a "Post-Industrial Society" are also focussing their attention on modern features of *ownership and control*, particularly the *divorce of ownership*

[1] Dahrendorf, R., *Class and Class Conflict in an Industrial Society*, 1959. Kerr, C., *et al.*, *Industrialism and Industrial Man*, 1960. Bell, D., *The End of Ideology*, 1960. Aron, R., *Troi essais sur l'age industriel*, 1966. Galbraith, J. K., *The New Industrial State*, 1967.

from control, or *management control*, and features resulting from these phenomena.

The abovementioned developments have, on the other hand, had considerable influence on the left-wing movement. Still fresh in our memories is the fact that in the 1950s the *management control* viewpoint was employed in *"Industry and Society,"* which played a role in the platform of the British Labour Party, and gave rise to considerable controversy[2] both inside and outside of the Labour Party. In France during the '60s, arguments such as those propounded in S. Mallet and A. Touraine's "La Nouvelle Classe Ouvrière"[3] were put forward expressing the view that the class struggle should concentrate on winning participation in the control and decision-making process instead of fighting against possesion and exploitation. In the '70s, this sort of view resulted in the confrontation between the nationalization and the self-control factions of the French left and led to criticism of the view that nationalization was fundamental to any transfer into socialism. The problems have become more serious, because these developments involve the reality of *ownership and control* in today's socialist countries— de facto control by Party bureaucrats based on the state ownership of the means of production and the alienation of workers from policy decisions.

In view of the fact that Marxian economics has taken private ownership by capitalists of the means of production as the basis for its theoretical system for analysing capitalism, contemporary Marxian economists must apply themselves urgently to providing clear answers concerning the modern features and transfiguration of *ownership and control*. It would be no exaggeration to say that without this, Marxian economics will not be fully able to assert its claims to effectiveness.

Of the three phenomena mentioned above, (1) the *divorce of ownership from control* is the most basic, and it is with this that we must start our analysis. It involves internal change in ownership, which is an inherent part of the capitalist production system. The second and third phenomena, however— (2) government intervention and (3) participation and pluralism— can be described as external intervention and interference in ownership in response to, and prescribed by, changes produced by the first phenomenon. And while the changes resulting from (1) were created and have developed continuously up to the present under the conditions of monopoly capitalism, (2) appeared under state monopoly capitalism, and (3) can be said to have appeared in response to the development of (1) and (2).

In this article, therefore, I intend to concentrate on the first problem as an introductory study to *ownership and control* in contemporary capitalism and will consequently be dealing with the subject of monopoly capitalism in general. In other words, although this article is concerned with the form of today's capitalism

[2] For typical criticisms of *Industry and Society*, which was adopted by the British Labour Party at its 56th convention, from the leftists inside the Party, see Hall, S., *et al.*, "The Insiders," *Universities & Left Review*, No. 3, 1958 and Campbell, J. R., *Some Economic Illusions in the Labour Movement*, 1959.

[3] Mallet, S., *La Nouvelle Classe Ouvrière*, 1963. Touraine, A., *La Société Post-Industrielle*, 1969.

known as state monopoly capitalism, it deals with capitalism's characteristics and functions insofar as it is monopoly capitalism,[4] and the regulations and changes inherent in state monopoly capitalism are eliminated from consideration. Thus the reality of today's Japan will not be dealt with directly in this article, either. This is because of the fact that although it is well-known that there has been a marked tendency in postwar Japan for large corporations to hold other corporations' stocks, it seems to be necessary to examine, first of all, the arguments about monopoly capitalism in general on the basis of realities in the advanced capitalist countries and to elucidate the problems in order to clarify how much this "tendency toward corporate capitalism"[5] represents the general characteristics and tendencies of contemporary capitalism and which special Japanese factors are included therein.

II

[1] First of all, according to A. A. Berle and G. C. Means, *The Modern Corporation and Private Property*[6]—regarded as a classic work on *management control*—, the main points of the argument are as follows.

(a) Corporate development is resulting in a progressive concentration of economic power into a small number of very large corporations. (In early 1930, the 200 largest non-banking corporations in the United States held approximately one half of gross corporate assets and had an overwhelming influence on the total national economy.)

(b) There is a progressive dispersion of stock ownership in these large corporations to large numbers of stockholders. (The number of stockholders of American Telephone & Telegraph Co., the largest utility company, for example, is about 500,000, while the proportion of the largest stockholder is 0.7%, and the proportion of the 20 largest stockholders is 4%. A similar pattern is evident at Pennsylvania Railroad Co. with figures of 190,000, 0.3%, 2.7%, and at United States Steel Corp. with figures of 180,000, 0.9%, 5.1%.)

(c) The dispersion of stock ownership has been accompanied by the appearance of "management control" and the percentage of this is now quite high. (Corporations controlled through almost complete ownership accounted for only 11% of the 200 largest corporations. Corporations of "minority control," i.e. those controlled by stockholders holding less than a majority but more than 20% amounted to 23%. Corporations "controlled through legal devices" accounted for

[4] Regarding the relationship between monopoly capitalism in general and state monopoly capitalism, theories of monopoly capitalism and state monopoly capitalism for analysing these, and the significance of the theory of monopoly capitalism in analysis of the contemporary capitalism, see the author's *Dokusenshihonshugi no Riron* (*The Theory of Monopoly Capitalism*), 1977, Tokyo.

[5] Okumura, Hiroshi., *Hojinshihonshugi no Kozo* (*The Structure of Corporate Capitalism*), 1975, Tokyo.

[6] Berle, A. A. and Means, G. C., *The Modern Corporation and Private Property*, 1932.

21% of the total, while corporations of "management control"—i.e. those in which the dispersion of stock ownership had progressed to an extreme degree and in which managers held the real power with no one stockholder able to exercise his power to control—had increased to 44%, and occupied the 58% of the gross assets.)

(d) "Mangement control" implies "ownership of wealth without appreciable control and control of wealth without appreciable ownership" and epitomizes the *divorce of ownership from control.* In such corporations, stockholders' ownership is merely nominal and management exercises various powers which originally belonged to stockholders. In such cases management by no means controls the corporation on the basis of their own stockholding; nor is there any need to obey stockholder's orders directly.

(e) It can be said, therefore, that "the corporation has changed the nature of profit-seeking enterprise."[7]

Because the manager, a new man of power, is separated from ownership, he represents "a purely neutral technocracy," and is expected to "assign to each part of the income stream on the basis of public policy rather than private cupidity."[8]

[2] As we have seen above, Berle and Means claimed that ownership and control have become increasingly divorced as "the logical outcome of corporate development" and that there has been a tendency for the number of "management controlled" corporations to increase. This claim has been reconfirmed by Larner's empirical study[9] using data of 1963. A point that requires attention in Larner's investigation is that although the criterion of stock ownership at which it is possible to control the corporation with a minority stockholding has decreased to 10%, when the growth in the size of corporations since Berle and Means's study and the resulting dispersion of stock ownership are taken into account, the percentage of corporations of "minority control" decreased significantly, as against a rapid increase of the number of "management controlled" corporations which now represent the overwhelming majority (83.5%).

[3] Yet, the *management control* theory has come to stress another factor in addition to, and as a precondition to, the dispersion of stockholding discussed above. This factor is the increasing complexity of business management as corporations develop, and a corresponding increase in the importance of large-scale organizations because of the need for expert knowledge, management skill and business administration. And according to this argument, managers gain a great deal of power in exchange for the provision of such managerial skills. Gordon, through his detailed study about decision-making in several hundered

[7] *Ibid.*, p. 7.

[8] *Ibid.*, pp. 312–313.

[9] Larner, R. J., *Management Control and the Large Corporation*, 1970.

large U.S. corporations in the 1930s, pointed out that superior authority legally held by the board of directors was concentrated in the hands of top executive managers who were employed by the board of directors, and that management was therefore free from outside restrictions and stockholders' interests were merely a restrictive factor affecting managerial decision-making. Thus not only business leadership, i.e. "the function of organizing and directing business enterprises, of making the decisions which determine the course of a firm's activities," but even the power to nominate top management has shifted into the hands of the managers themselves, confirming the separation and independence of management from *ownership*.[10] The points of the argument mentioned above have been accepted and developed by many authors. These points were stressed, for example, by a noted business economist, P. F. Drucker[11] and by an authority on American business history, A. D. Chandler Jr.[12] And J. K. Galbraith's technostructure theory[13] was developed as an extension of this argument.

This argument had also interrelated with the development of the theory of *organization*, which is concerned with the problems of *organization* in general, such as the differences between individual and organizational decision-making, and the structural relationships among the various decisions in the organization.

[4] As stated above, the theory of *management control* bases its central argument on the dispersion of stock ownership resulting in the divorce of ownership from control, and the need for technical managerial skills as a result of the increasing complexity of management. Linked with this, moreover is the assertion that the manager—the new controller—should be regarded as a neutral entity with a "social conscience" rather than private cupidity, as an technical specialist, or as a leader essential to society. In other words, managers should be regarded as class-neutral entities who conscientiously fulfil their social responsibilities. The "neutral technocracy" which Berle and Means put forward as one possibility has since been posited as established fact, rather than mere supposition in Berle's later works, *The Twentieth Century Capitalist Revolution*,[14] and *Power without Property*,[15] and has acquired many supporters, including Kaysen.[16] (Burnham's well-known work *Managerial Revolution*[17] differs somewhat at this point, inasmuch as it treats the managerial stratum, which has acquired de facto ownership of corporate assets, as a distinct class pursuing its

[10] Gordon, R. A., *Business Leadership in Large Corporations*, 1945.

[11] Drucker, P. F., *Concept of the Corporation*, 1946; *The New Society: The Anatomy of the Industrial Order*, 1949; *The Practice of Management*, 1954.

[12] Chandler Jr., A. D., *The Visible Hand: The Managerial Revolution in American Business*, 1977.

[13] Galbraith, J. K., *The New Industrial State*, 1967.

[14] Berle, A. A., *The Twentieth Century Capitalist Revolution*, 1955.

[15] Berle, A. A., *Power without Property—A New Development in American Political Economy*, 1959.

[16] Kaysen, C., "The Social Significance of the Modern Corporation," *American Economic Review*, May, 1957.

[17] Burnham, J., *The Managerial Revolution*, 1941.

own interests.[18])

III

The arguments of *management control* have naturally met with energetic criticism from Marxian economists and this still continues. This criticism can be divided into two categories. Firstly there are the views of such people as A. Rochester, V. Perlo, S. Menshikov, R. Fitch and M. Oppenheimer on the United States and S. Aaronovitch on the United Kingdom, which could be described as the traditional theories of *financial capital control*.[19] The second category comprises the viewpoint of P. A. Baran and P. M. Sweezy.[20]

[1] According to Perlo's *The Empire of High Finance*,[21] the main points of the argument in the traditional view are as follows:

(a) It is not sufficient to say that only 200 large corporations control the U. S. economy. The fact is that most of these 200 corporations are controlled by 8 large interest groups, notably the Morgan Group and the Rockefeller Group. These interest groups represent financial capital, in short the amalgamation of banking monopolies and industrial monopolies. This amalgamation by no means implies the takeover of one by the other, however, and the banks play a key role in the structure. Large banks have the power to control large corporations from two aspects, finance and stockholding, and they utilize the interlocking directorate system in order to exercise their power to control smoothly.

(b) While it is a fact that stock ownership in large corporations has been dispersed among large numbers of stockholders, there is also progressive concentration of stock ownership into the hands of various institutional investors (such as life insurance companies, mutual funds, pension funds, and the trust divisions of commercial banks). The interest group, by integrating these financial institutions into its own group, can hold large numbers of stocks by using funds owned by the masses and can control corporations on this basis.

(c) These interest groups are controlled at the top by the large proprietors, or "billionaires" (mainly the descendants of those who established trusts more than fifty years ago), who control "the great empires" of interest groups by means of various financial institutions, particularly banks.

(d) Berle and Means's work failed to see the relationships between large

[18] Nichols therefore characterized Burnhamian theory of management as 'sectional' managerialism and distinguished it from Berlian 'non-sectional' managerialism. Nichols, T., *Ownership, Control and Ideology*, 1969, p. 43.

[19] Rochester, A., *Rulers of America*, 1936. Perlo, V., *The Empire of High Finance*, 1957. Menshikov, S., *The Millionaires and Managers—Structure of U.S. Financial Oligarchy*, 1969, Fitch, R., and Oppenheimer, M., "Who rules the corporations?" Part I. II. III., *Socialist Revolution*, 4, 5, 6, 1970. Aaronovitch, S., *The Ruling Class*, 1961.

[20] Baran, P. A., and Sweezy, P. M., *Monopoly Capital*, 1968.

[21] Perlo, V., *op. cit.*, Chap. 3.

corporations and financial institutions. The 36 large corporations which they classified into the *management control* type have definite centers of control except 3 cases.

(e) The rulers of interest groups, large proprietors or "leading financial magnates," have been withdrawing from the actual direction of individual corporation as a result of the enlargement of the organization of interest groups. They concentrate their own activities within the central financial institutions or holding companies entrusting the day-to-day supervising functions of their many other corporations to hired managers to whom they give formal responsibilities. The status of the manager is almost the same as an "employee." His position is safe as long as his policies are consistent with those determined by the outside rulers. If not, he loses his position. (There are many examples of top managers being dismissed by the governing stockholders' group or financial group.) The theory of *management control* "accepted at face value the facade of hired managers concealing the true character of control."[22]

(f) Corporate executives are drawn overwhelmingly from the propertied classes, and have class interests consistent with those of the controlling stockholders. Corporate managers are part of, as well as agents of, a ruling group, the financial oligarchy.

The arguments put forward by Perlo seem to be accepted and shared in the writings of many Marxian economists though there are differences in the points stressed. For example, S. Menshikov's *Millionaires and Managers—Structure of U.S. Financial Oligarchy*, the most detailed empirical study on this matter in recent years, while stressing the decreasing ratio of stock ownership by large individual proprietors and the fact that their control is becoming less direct, points out, after all, that there is no control by hired managers in large corporations, and that they are a kind of passing group who are controlled by real power holders outside of the corporation. There are many examples of managers expelled by the will of these people. The actual controlling element which commands the financial group is an alliance of several families, and even though the managers appear to hold the actual power, they are really temporary "regents" when the actual controlling families cannot find an appropriate person within their own ranks.[23]

[2] Against these traditional views of Marxian economists, Baran and Sweezy have brought forward a new argument based on a completely different point of view. Their view accepts the independence of the corporation and managers from stockholders and financial capital, which implies that they accept to this extent the facts claimed by the *management control* theory. Yet on this basis, they criticize the argument of *management control* by asserting that the "logic of capital" has penetrated in the mode of the managerial behavior.

[22] *Ibid.*, p. 48.
[23] Menshicov, S., *op. cit.* pp. 216–217, p. 319.

According to Baran and Sweezy, the giant corporation is the essential economic unit that characterizes the contemporary capitalist economy, and typically it has the following features: (a) the control is in the hands of management, (b) managements are self-perpetuating groups and each generation of managers provides its own successors, (c) giant corporations have achieved independence financially by generating capital internally. The typical giant corporation is by no means the "company with a conscience" as claimed by those who support the *management control* theory. Nor is it the class-neutral existence which tries to fulfil its "social responsibilities" according to its conscience. It is the capitalist of today seeking the maximization of profit and accumulation for sake of accumulation. "The real capitalist today is not the individual businessman but the corporation."[24] And the goal of the corporative activity is also of necessity the goal of the individual manager of the corporation. The managerial stratum is by no means the "neutral" social class as claimed in the *management control* theory, but forms "the most active and influential part of the proprietary class" and a "powerful work force" for it.[25]

IV

We would now like to point out the problems which are involved in the *management control* theory and in criticism of it by Marxian economists, and to clarify where these problems lie.

[1] The *management control* argument is very one-sided because it eliminates the financial sector from the consideration (albeit for statistical reasons), and what is more, it has neglected or paid little attention to the problem of the tendency for stock ownership to be concentrated in the hands of financial institutions or institutional investors, or to the problem of the exertion of influence by financial institutions through finance. On the other hand, the traditional Marxian view which attempts to interpret the control of financial capital as a combination of stock ownership, particularly ownership or holding by various financial institutions or institutional investors, and of financing activities by these institutions and investors as well as a problem of comprehensive control supported by control through the interlocking directorate system. This has been proved to be a valid criticism of the *management control* argument.

[2] However, the critical arguments by traditional Marxian economists, as well as the understanding of reality which supports these arguments, seem to be losing their realistic validity because of the following problems. First of all, in the view of traditional Marxian economic view of financial capital groups, the great proprietaries, be they individuals or families, are claimed to be ultimate

[24] Baran, P. A. and Sweezy, P. M., *op. cit.* p. 43.

[25] *Ibid.*, Chap. 2.

rulers of the groups. This viewpoint is the first problem. It is the reverse of the view that managers are mere "employees" or subordinates. Such an interpretation is incorrect since it underestimates the independence of managers from stockholders and their independent exertion of the power to control. Efforts made by traditional Marxists have centered solely on seeking empirical proof of the existence of great proprietaries on the basis of a belief that great proprietaries must be the ultimate rulers, and there has been virtually no theoretical examination of such questions as the nature of ownership in large monopolies, the significance and basis of control, and the reasons why the great individual or family proprietaries should be regarded as rulers. So much attention has been paid in these arguments to the question of who the individual rulers were that they have not only been unable to discover the characteristics of the large corporation, but have also neglected to analyse its nature and activities in terms of capital.

Secondly, the traditional Marxian view's interpretation of the financial capital group seems to underestimate the independence of individual corporations which comprise the group, while overestimating the power to control exerted by banks. It is true that banks, on account of their business specialities, play important roles in combining and mutually coordinating monopolies in different industries, and they therefore occupy a central position in many of the groups thus formed. However, banks have relationships of mutual interdpendence with industrial monopolies, in which they can not always exert their power to control unilaterally. In addition, the increase of internally reserved funds, inherent to the monopoly, strengthens the independence of such corporations from the banks, and under state monopoly capitalism, the increased availability of state funds serves to accelerate the growth of this independence.

When considering stockholding and financial relationships between various financial institutions and large corporations, we need to focus on the fact that generally speaking financial institutions are also controlled by professional managers who are not controlled by the large proprietor's will—an important factor in relation to the first point mentioned above.

[3] In terms of these problems Baran and Sweezy's criticism of the traditional Marxian economic view seems to be quite interesting to us, because they boldly recognize the independence of the large corporation and its managers (from stockholders and external interests), and they make efforts to determine whether the capitalist logic has penetrated. (In Baran and Sweezy's model of the giant corporation, however, the tendency for corporations to group, the significance of resulting strengthening of monopolies, and the functions of banks therein, were grossly underestimated and we cannot therefore agree with them totally.)

Their claims represent mere "visions" however, and the fact is that there has been no detailed theoretical analysis whatsoever of *ownership and control* in contemporary capitalism, including the characteristic of ownership in large corporations and the basis of the manager's power to control.

From this point of view, it is obvious that what is now needed is a theoretical clarification of *ownership and control* in large corporations.

V

[1] Let us first of all consider, as a standard of comparison, the case where the individual entrepreneur invests his own capital (initially money capital) to purchase the means of production and labour force, and produce commodities. The capitalist is the owner of the money capital invested and is also the owner of the real capital which generates surplus value or profit through its transformation from money capital to production capital and finally commodity capital. Ownership of capital in this case means ownership of the means of production to the exclusion of direct producers or labourers who do not own the means of production. Thus the owner of this real capital has the power to select certain kinds of raw material and means of labour (technology), to command and control labourers in the direct production process, and to own the commodity capital produced, that is the power to own any surplus value or profits generated (Capitalist *control* is basically control over labourers in the direct production process). The control over the reproduction process is based on ownership of capital— ownership of the means of production and consumption goods (to the exclusion of labourers who do not own them)—and in this case the question of whether the basis of control rests in ownership of money capital or ownership of real capital does not present any problem whatsoever since the owner of money invested as capital and the owner of real capital generating surplus value or profit are one and the same person. From this it is very clear that the owner of capital or the capitalist manages and controls the reproduction process on the basis of ownership of capital (in general).

[2] Ownership and control in contemporary large corporations differ greatly from the abovementioned relationship between ownership of capital and control based on the ownership of capital. This difference originated, in fact, in the form of enterprise known as the stock corporation. In a stock corporation, the funds invested by individual stockholders are combined into capital which functions as real capital, though the individual stockholder has no direct ownership whatsoever over any part of this real capital. What the stockholder owns directly is a stock certificate and a stockholder's only direct right of ownership consists of the right to acquire dividends and dispose of stock certificates. A stockholder owns the real capital indirectly only as a member of a corporation. To put it concretely, he participates in the management of functioning real capital and the disposition of profits in proportion to the amount of equity he owns, through decisions at the general meeting of stockholders.

Thus real capital is neither the capital of the individual stockholder nor a mere sum of such, but functions independently from individual stockholders as a united

and independent "socialized capital," the direct ownership of which is separated from the stockholders. Consequently, the *corporation itself* becomes the direct owner of real capital. As ownership of real capital becomes multifaceted and complicated, control by capital also changes in complicated ways because control by capital basically means the exertion of control on the basis of ownership of real capital. Now if in a stock corporation a major stockholder exists who owns a majority of shares, 60% for example, and has the power to freely influence the decisions of the general meeting of stockholders, he can manage and operate the real capital which belongs to the *corporation itself* at will as though he had gained ownership of it, either by becoming a representative director himself, or by naming a director to act fully on his behalf. In this situation it seems that the major stockholder controls a corporation based on 100% stock ownership by robbing the numerous minority stockholders who own the rest of stocks, 40% in the above example, of their right of ownership. However, if we consider this theoretically, control does not arise directly from the ownership of stocks. A major stockholder cannot be the direct owner of real capital in the qualification of stockholder. What he does is, in a sense, to appropriate the right of ownership which belongs to the *corporation itself* by taking command of the general meeting of stockholders and board of directors, and acquire control on the basis of ownership of real capital.

[3] The development of giant monopolistic corporations—a characteristic of the monopoly capitalism stage—results in an efflorescence of ownership by *corporations themselves* as a characteristic of corporate ownership and the method of control corresponding with it.

First of all, the results of several empirical studies show that because of increases in the number of stockholders accompanied by an enlargement of scale resulting from the rapid concentration and centralization of capital by monopoly capital, and, on the other hand, a dispersion of stock ownership accompanying the succession of stockholders to property, there appeared a tendency for the percentage of stockholdings by major stockholders in large corporations to decrease rapidly, and the dispersion of stock ownership in most of the large contemporary corporations is so considerable that it is difficult to recognize the existence of major stockholders who can always control the decisions of the general meeting of stockholders freely.[26] Under these circumstances not only does indirect ownership of the real capital (participation in administration of the real capital through the general meeting of stockholders) become completely nominal for the majority of stockholders, but even major stockholders lose the power to

[26] The most comprehensive findings recently have been provided by Larner. cf. Larner, R. J., *Management Control and the Large Corporation*, 1970. Florence's well-established and detailed research (carried out on two occasions) and the change in his conclusion—from a negative attitude towards the "management control" theory to partial acceptance—should also be referred to. Florence, P. S., *The Logic of British and American Industry*, 1953; *Ownership, Control, and Success of Large Companies*, 1961.

enforce their will by constantly controlling the decisions of general meetings, and they are apt to become a passive factor which can exercise influence only in emergencies (for example, if management policies are carried on without any attention being paid to the stockholders' interests). Here, a relationship evolves and matures in which the real capital of the corporation becomes independent from each stockholder and the direct ownership of the real capital becomes separated from the stockholders, and the fact that the direct ownership of the real capital rests in the *corporation itself* makes its appearance as it is.

On the other hand, giant monopolistic corporations accumulate their capital on the basis of huge inner reserves that are inevitably generated from such factors as the inevitable stagnation of investment in the existing monopoly sectors and the need to strengthen their competitiveness in order to overcome diverse competition among monopoly capitals on the basis of huge monopoly profits. Giant monopolistic corporations reserve a considerable part of their profits realised and acquire funds at little cost as capital increase premium through the issue of new stocks at the market price. That part of corporate properties which is increased by inner reserves or the premium is owned both in name and reality from the beginning by the *corporation itself* with no direct relevance to the ownership by stockholders.

The *corporation itself* can be said to be the personification of capital. The economic substance of a large corporation is, of course, a huge lump of capital which many individual capitals are centralized and fused into through the stock corporation system. The corporation is a personification of this real capital, in other words, a huge lump of capital possessing consciousness and will.[27] Personified capital used to be the individual capitalist. As for real capital as huge "socialized capital," its personification cannot be an individual, natural person, but must be a *corporation itself.* It can be said that the situation in large corporations whereby the personification of capital is not a natural person, but the *corporation itself* is established in this way. This *corporation itself* is none other than the direct owner of the real capital which is its own economic substance.

In the conventional view, however, ownership by the *corporation itself* has been completely neglected. In the argument of *management control* by Berle and Means, it was claimed that ownership itself becomes mere form without any substance, and that the control functions which originally belonged to ownership were seized by management. In Burnham's *Managerial Revolution,* however, the true "ownership" was claimed to have shifted into the hands of managers.[28] On the other hand, in traditional Marxian economics, it has been claimed that men

[27] It should also be noted that the *corporation itself* is a personification of real capital, and not a personification of the business corporation in terms of the law, i.e. corporate judical person made up of its stockholders.

[28] "Ownership *means* control; if there is no control, then there is no ownership. The central aspects of the control which is ownership, are, as we have seen, control over access to the object in question and preferential treatment in the distribution of its products. If ownership and control are in reality separated, then ownership has changed hands to the 'control,' and the separated ownership is a meaningless fiction." Burnham, J., *op. cit.*, pp. 92–93.

of great property had continued to exercise their control through the "minority control." These arguments are not concerned at all with who directly owns the real capital, and the idea that the possession of stocks directly generates control over the real capital where there is control by the majority of stockholdings is continuously applied. In the case of Baran and Sweezy, however, though it is recognized that a corporation is the real capitalist today, problems such as who owns the real capital are totally neglected and the activities of large corporations in terms of capital are therefore mostly explained from the point of view of managers' motivations.

When looking at the series of views, we discover that the notion that the subject of ownership must be a natural person—a stockholder or manager—is deep-rooted, while we can find the common problem that as for the real capital, only its control function is asked and the locus of direct ownership is not and cannot be asked.

However, we first of all have to recognize clearly that in contemporary capitalism, a situation has developed whereby the ownership of the means of production does not always belong to natural persons. It appears directly in the inner reserves of giant monopolistic corporations and the corporate ownership of its accumulated parts (such as fixed equipment). This has become even clearer in the context of the ownership of the state-owned enterprises which increase in number under state monopoly capitalism. (It is no exaggeration to say that state-owned enterprises are not owned by those who seize the power of state, nor by the people as a whole.)

Secondly, it would be a great error to imagine that ownership itself (over the means of production) has become nothing but mere form without any substance, or to disregard the question of who owns the real capital. As mentioned above, ownership of capital presumes the existence of labourers who do not own the means of production and signifies exclusive ownership of the means of production as opposed to non-ownership on the part of labourers, and constantly excludes labourers from ownership. This basic relationship persists as long as capitalism continues to be capitalism. In this sense, ownership of the real capital by large corporations does exist and its control function also exists as an inherent attribute based on the ownership of the real capital.

We maintain that in large corporations under contemporary capitalism the situation whereby direct ownership of the real capital which does exist is separated from natural persons and belongs to the *corporation itself*,—— this relationship originated with the form of stock corporations——, has effloresced in a full sense at present time.

[4] In giant monopolistic corporations, the maturity of the dual ownership of the real capital and the growing complexity of managerial administration form the basis for the development of the appropriate managerial organization and managers that exercise the functions of capital.

First of all, managerial organizations which manage and administer the real capital are generally needed to enable stock corporations to function fully as capital, and managers are natural elements of the organization who are deployed inside it to carry out organizational objectives. A manager, unlike an individual capitalist who manages and administers his own capital, does not own capital and is employed by a *corporation* to manage and administer its real capital through entrustment by the general meeting of stockholders and/or the board of directors. Though the manager may be checked as for his management and administration by the stockholders through the general meeting of stockholders, he can have a certain independence from them in the day-to-day business.

In other words, in a stock corporation, the control that originates from ownership of the real capital splits and becomes dual because of the duality of the ownership itself. That is, control owned by stockholders through their indirect ownership of the real capital becomes an indirect influence that can participate in management and administration and distribution of profits through the general meeting of stockholders. The managerial organization, on the other hand, though checked by stockholders, actually exercises the direct control which originates in the direct ownership of the real capital through its responsibility for the day-to-day management and administration. What we should note in this case are the following two points. Firstly this control is nothing but an attribute of the real capital itself, and belongs, therefore, to the *corporation itself*, i.e. the direct owner of the real capital. Consequently, its very nature bars it from belonging to an individual manager and it is exercised by the managerial organization which is an internal structure of the *corporation itself*. A manager, by playing his own part according to his position in the managerial organization, mediates in the exercise of control. This situation, therefore, is definitely not the "control of wealth without appreciable ownership" posited by Berle and Means. It could be said that management acts as proxy organizationally for power based on ownership which belongs to the *corporation itself*. The second point is that the independence of managers from the stockholders is, so far as we have considered above, nothing but a reflection of the independence of the *corporation itself*. In fact, as we will see below, managers gain extended independence in certain areas, but we should realize that this independence is basically limited by the above relationship.

The dual structure of control in stock corporations develops with the maturity of the dual structure of ownership in the large monopolistic corporations mentioned above, but what is important is that the increased complexity and importance of management and administration inherent to large monopolistic corporations not only strengthen the independence of the *corporation itself* from its stockholders, but also provide the managers with a certain amount of independence from the *corporation itself*.

The large contemporary monopolistic corporation, which differs from the firm under overall competition in the previous stage of capitalism, has more room, through its own management policy, to determine the levels of prices, investment

in plant and equipment, and development of new technology. It therefore requires complex management policies to govern cooperation among monopolies and counteractions against rivals and potential entrants. Large monopolies are, on the other hand, generally complex business organizations which include many business units acting in various industries, and must therefore coordinate production and supply in various areas of their activities internally according to their own plans—functions which were performed in the past through market mechanisms. Additionaly, they must constantly rationalize huge corporate organizations in response to technical changes. Moreover, managers are responsible for negotiations with large labour unions and other social powers as corporation representatives. Consequently, the power and independence of the managerial organization and the managers inevitably expand, in proportion to their increasingly complex and multifaceted functions and responsibilities. Increases in the inner reserves inherent to large monopolies and the necessity for secrecy with respect to technological innovations play a part for strengthening the independence of the managerial organization and managers execute these complex functions on the basis of years of experience and accumulated abilities, while they try to expand the functions in favour of themselves.

Under these conditions, stockholders, even though having the power to veto important policies determined by managers, have no other power, and they neither have nor need to have the power to design their own policies and force managers to implement them. So long as managers manage and administer the corporation in such a way that its capital can function fully, it is in the stockholders' interest to entrust all these functions to able managers. Managers come to determine strategic policies, including the highest personnel affairs, independently with a large degree of discretion under the general limitation that they do not injure the basic interests of the stockholders. Also, individual managers positioned at the top of the managerial organization come to have a considerably large degree of discretion, and execute control as though they had this power by virtue of their own nature. Here, we should see that managers not only execute control of the *corporation itself* as agents, but also seize part of it to a certain limited extent. That is why managers can dispose of a considerable part of corporate profits (minus interest and dividend) as directors salaries and remunerations and social expenses. This is acquisition on the basis of occupancy of privileged positions. However, it is limited to within a certain range because this personal acquisition must not injure the inner reserves that the *corporation itself* needs to acquire as capital. (In addition, a manager can enjoy his privileges so long as he maintains a certain position in the managerial organization, and his privileges are therefore not permanent.)

[5] In short, in large monopolies, the ownership of the real capital takes on the dual structure of indirect ownership by stockholders and direct ownership by the *corporation itself*. This division of ownership matures and in response to this

process the control based on the ownership of the real capital is also divided between the stockholders and the *corporation itself*, with the managers who execute the control of *corporation itself* and seize part of it forming an additional sub-division. A characteristic of profit acquisition and distribution seen in large corporations is that the profits which result from the activities of the real capital are, first of all, acquired by the *corporation itself*, that part of these profits is then distributed to the stockholders as dividend and part to managers, and that the remainder then goes to the *corporation itself* as inner reserves. All this reflects the plural and multiplex structure of *ownership and control* as decribed above.

VI

In this article we have clarified the plural and multiplex structure of *ownership and control* in large modern corporations. What we have shown is not the "split of ownership and control" asserted by the *management control* argument, nor the establishment of "ownership of wealth without appreciable control and control of wealth without appreciable ownership." Control based on ownership does continue to exist, and it comes to form a plural and multiplex structure. Furthermore, what we note particularly is that the *corporation itself* is the direct owner of the real capital and is an economic subject with control based on ownership.

In this article, there are still many problems which need to be clarified, including concrete considerations of why and how ownership by the *corporation itself* is private and capitalist ownership, the relationship between monopolistic market control and managers' discretion, the role played by middle and low management in determining management policies. However, even to the extent it is clarified here, we can see that the plural and multiplex structure of ownership and control, particularly the problem of ownership and control by the *corporation itself*, is of critical importance in analysing contemporary capitalism.

The large monopolistic corporations which activate contemporary capitalism are, in the sense mentioned above, the subjects of ownership, the subjects of control, and therefore the subject of action. Only an analysis based on these points will allow us to clarify the structure and dynamics of contemporary capitalism, and also the class nature of stockholders and managers (stratum) can only be clarified by the correct recognition of the trilateral relationship among, and the respective position of, the *corporation itself*, its stockholders and its managers.

What is more important is that without a correct understanding about where and how the *ownership and control* in contemporary society exists, we can not talk about the substantial contents in the revolution of the capitalist system of today and its necessity. At this point it will be critically important to certify the ownership of the *corporation itself*. In this sense, this article performs the role of an introduction to the ownership theory of today—a theory of vast scope.

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