

STUDIES IN THE ANARCHIST THEORY OF ORGANIZATIONAL BEHAVIOR

A Working Outline

I. State capitalist intervention in market-- promotes concentration, size above optimal levels of efficiency

Introduction. Survey and critique of orthodox apologists for managerialism, economy of scale: Engels. Technocratic liberals like Schumpeter, Galbraith, Chandler, Lazonick. Lazonick vs. Williamson. Critique of Williamson asset specificity thesis.

A. The boundaries of the firm, in a free market, would be determined by the point at which marginal benefits of increased internalization ceased to outweigh the inefficiency costs (Coase, Williamson). Any government action that subsidizes the inefficiency costs of large size, therefore, will tend to shift firm size artificially upward beyond the point of maximum efficiency. And when the average firm size is larger than would be the case in a free market, the internal inefficiencies will be greater overall, and the dominant firms more prone to bureaucratic inefficiency.

B. Literature review on economy of scale--large corporations operate at far beyond optimal size for internal economies of scale. Walter Adams, Barry Stein, Ralph Borsodi.

C. State policies which promote excessive corporate size

1. Externalization of inefficiency costs of large-scale on taxpayers, subsidies to diseconomies of scale. Especially, e.g., transportation subsidies, which underwrite distribution costs of largest firms and make them artificially competitive against small producers serving local markets.

2. Cartelization

a. by regulation, thus selectively removing aspects of quality and safety as competitive issues;

b. by socialization of cost--collective provision of inputs to production process, thus removing them as issues of cost-competition: R&D subsidies, vo-tech education subsidies, etc., described by James O'Connor;

c. by promotion of skill- and capital-intensive forms of production, in effect raising entry barriers.

d. Cartelization, in turn, reduces competitive disadvantages from internal efficiencies and pathological organizational culture. The competitive pressure to efficiency is significantly reduced.

II. Systemic effects of intervention

A. Ivan Illich--"radical monopoly"--subsidies to centralized technology make decentralized, non-professionalized, individually controlled technology less useable (e.g., transportation subsidies, by expanding distance, make feet, bikes, etc., less useable; subsidies to costly, high tech medicine, cartel "standards of practice" centering on such costly methods, make even basic medical care unaffordable for many; "safety" code restrictions against self-built or unconventional housing, aesthetic restrictions on trailers, etc., increase dependence on expensive housing). Lower-cost, human-scale alternatives are crowded out. It becomes less and less possible to translate one's own labor and skills, one's own common-sense understanding, into use-value. Paul Goodman on the increasing impossibility of decent poverty; the cost of basic subsistence is driven upward.

B. Paul Goodman--"crowding out" of decentralist alternatives, described in *People or Personnel*. The organizational culture of the large corporation and large government agency becomes the hegemonic norm; it contaminates even non-profit and cooperative enterprises: inflated management staff, excessive professionalization and credentialing, prestige salaries, management theory jargon (mission statements, ad nauseam...), etc. Duggar on "hollowing out" of civil society.

C. Illich on "counterproductivity," "second watershed." When adoption of centralizing technologies is subsidized, the negative effects are externalized on those who do not benefit from adopting them. Those who benefit find it profitable to adopt the technology beyond the point at which the net overall effect becomes negative, because the positive and negative effects are not all internalized by the same actor.

III. Internal effects of organizational size above that required for optimum efficiency

A. Unplanned effects--transaction costs and inefficiency

1. Mises and Rothbard on rational calculation, corporations with internal characteristics of planned economy, with administration replacing market prices as allocative mechanism
2. R. A. Wilson, K. Boulding, etc., on distorted information flow, irrationality

Tyson inhumane treatment of chickens; my own work experience (e.g., nosocomial infections and other errors as result of understaffing; JCAHO goals; management attempts to solve problems by every means *but* increased staffing--tracking forms, propaganda, inservices, etc.); "But we sent *everyone* a flyer on the importance of handwashing!"

Management's basis of policies on "industry trend," i.e., feedback from managers of other organizations who are as clueless as they are about what is actually happening within the organization. Those at top of pyramids communicate more effectively with those at top of "rival" pyramids than they do with those below.

3. moral hazard, non-feasibility of tracking costs and benefits of individual decisions

- a. literature on moral hazard, other organizational behavior issues
- b. literature on sabotage, prohibitive cost and impracticability of preventing it; when disgruntlement clicks with "asymmetrical warfare" techniques--availability of countless ways to impose increased costs on employer with virtually no way of getting caught
- c. my own work experience

4. unplanned authoritarianism--increased resources which must be devoted to internal surveillance and monitoring, as size increases and intrinsic motivation of work itself is replaced by extrinsic motivation according to goals of organization (Goodman, *Community of Scholars*; LeGuin, Shevek's comments to Atro on armies in *The Dispossessed*)

5. Attempt of management theory fads to solve these problems--e.g., Tom Peters, Hammer & Champy's "reengineering," quality. They propose things that *would* be effective in a decentralized free market economy, but try to adopt them in the context of a centralized, hierarchical corporation. New wine in old bottles. When such methods do increase efficiency, it is because they artificially simulate the natural advantages of a small organization, inside a large one. And even then, they result in more authoritarianism from the worker's standpoint. Such "liberatory" and "empowering" forms of organization, distorted and corrupted by the authoritarian nature of the corporation and the exploitative nature of its goals, become in practice what Parker and Slaughter call "management-by-stress."

B. Consciously planned, deliberate effects--"Planned Authoritarianism"

Forms of authoritarianism deliberately adopted either as ways to reduce bargaining power of labor (and hence reduce wages and benefits and increase workload), or to cope with anticipated disgruntlement from worsening job conditions. (To say that disgruntlement is "anticipated" is not to say that the authoritarian response is viewed as a positive by management. The tendency of the system to generate disgruntlement is a source of dismay to management, which finds such costs increase faster either than profit or its ability to control them.)

1. State policies promote capital-intensive, high-tech forms of production.

- a. accelerated depreciation
- b. R&D tax credit
- c. government subsidies to technical education
- d. resulting deskilling of blue collar labor, technological unemployment, combined with state-subsidized over-production of scientific-technical labor force--(lit survey of Braverman, Lazonick, Noble, Montgomery, Marglin, etc.)

The result, through decreased bargaining power of labor, is virtually capped real wages, increasing work-load, stress.

2. To cope, management adopts more hierarchical and authoritarian organizational cultures--inflated internal surveillance mechanism to cope with disgruntled, underpaid work force--and, in turn, requires still further authoritarianism to control reduced morale.

- a. David M. Gordon--*Fat and Mean*; H.R. Nazis, personality profiling, etc.; reprisal against Woolamalloo, Dooce, etc.; "contract feudalism"; my job search experiences
- b. survey of management theory, from Ure and Taylor on down. Irony of TQM and other "empowering" management theories inevitably degenerating into Taylorism (because they're implemented by bosses)--a lot of my

work experience

c. idiotic H.R. agitprop to manufacture loyalty and satisfaction--more for comic relief than anything; professionalism, the last refuge of scoundrels (Wal-Mart's 24/7 availability policy, use of "patient care" to manipulate nurses into unwanted overtime). The putrid "Fish! Philosophy." Again, a *lot* of my work experiences

C. Summary on Internal Inefficiencies--subsidies to large size generate internal costs and demands faster than organizations can deal with them.

D. Crisis Tendencies and Corporate Breakdown--the large corporation, with geometrically increasing input costs, is a microcosm of state capitalist economy. (cf. Hazel Henderson, etc.) It is barely able to stagger along even *with* massive state assistance.

The state, meanwhile, finds the state capitalist economy's demands for subsidized inputs increasing geometrically, far faster than it can appropriate resources to satisfy them. Peak Oil, transportation gridlock, snowballing government deficits, etc. James O'Connor on fiscal crisis, Warren Johnson analysis of energy costs in *Muddling Toward Frugality*.

Even before state's input crisis runs its full course, the large corporation is extremely vulnerable internally to internal developments that radically escalate cost and pressure (e.g. forms of direct action, many of them perfectly legal (so far), in Wobbly pamphlet "How to Fire Your Boss"). Possible vulnerability of corporation to decentralized "netwar" techniques (Ronfeldt, etc.), directed against it by its own employees? "Open-mouth sabotage." Jeff Vail on rhizome warfare, Fourth Generation Warfare. Asymmetrical warfare--workers, as a rule, can circumvent any management countermeasure to moral hazard problems at a fraction of the cost and effort that management expends implementing it.

IV. Conjectures on decentralist free market alternatives

A. Material from Kirkpatrick Sale on decentralized production, general-purpose production technology; Borsodi, etc.; Bookchin--*Post-Scarcity Anarchism?* Kropotkin--*Fields, Factories, and Workshops?* Jane Jacobs on Japanese bicycle factories. Barry Stein on bottom-up innovation

B. Effects of cost-principle on energy consumption, pollution, etc.

C. Tucker, Elkin, etc., on effects of increased labor bargaining power on working conditions

D. Radical decrease, with reduction in waste and parasitism, in man-hours needed to produce existing standard of living (Tom Walker material).