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Introduction

In this book I examine the histories of the U.S. government, the Roman Catholic Church, General Motors Corporation (GM), and the European Union (EU) as examples of the evolution of large, lumbering institutions. The book focuses on how each of these political, religious, and commercial systems – all federated in some form or at some point in their histories – centralized authority away from subunits. Amid the many differences in these four institutional cases, I have found similarities in their trajectories and – most importantly for the purposes of this book – similar mechanisms that drove and sustained their centralized authority. The last case examined, the EU, remains somewhat different than the others because it has not yet changed the institutional nature of its executive authority and has not locked into centralization in the same manner as the others. For the remaining three cases, decentralization is difficult or impossible to achieve. The lessons of centralization to be gleaned from this analysis will likely be of most value to those with a stake in the EU's continued evolution. Monumental issues in governance between subunits and the central unit remain unresolved in the EU. Comparable issues have largely been settled in the other three examples examined in this book.

It is fair to ask why I would compare these gigantic, complicated entities and to wonder whether any substantial conclusions can be drawn from such comparisons. Some might question my intellectual credentials or personal sanity in devoting my time to such research. Furthermore, it is unlikely that there are many scholars who sit awake at night, pondering the governance connections between four such disparate institutions. Some scholars care about general questions of governance in federated institutions, whereas others focus on the broader questions of organizational and institutional design. In attempting to tie such concerns together and draw compelling conclusions, I am entering uncharted social science territory. My purpose here is to provide novel insight into comparative governance, including not only governance of nation-states,

but also of organizations and sprawling units like global churches, international political systems, universities, corporations, and consortiums of all types.

It goes without saying that these four are canonical institutions, and regardless of whether or not they are worth comparing, they are certainly worth analyzing and making the effort to draw novel conclusions about them. For example, do they represent other federated institutions? This question, and my attempts to answer it, reoccur as subtext throughout the book and are addressed directly in Chapter 7. I am cautious about making strong, general claims that extend to institutions beyond the four analyzed here, even though I believe that the lessons here apply to other federated institutions. I often state conclusions in the abstract, but I do not show evidence from data to support claims of generality. That will have to be another research project.

The burden of this book is to make a convincing case that despite obvious differences between these distinct institutions, there are striking similarities in the evolution of their centralized governance. Comparison offers perspective on what is unique and what may in fact be common in these specific cases. I maintain a bird's eye view to point out similarities in their trajectories, to strip away detail, and focus on the moving tectonic plates reshaping the nature of governing authority over time.

As for credentials, I can claim academic expertise on the government of the United States and the European Union, having published a textbook and research monographs on U.S. government, and written academic journal articles on both U.S. and EU politics. I have also taught both subjects for many years. For the other two cases, my credentials do not come through my publications. Admittedly, most (although not all) of my knowledge of Church history and of General Motors comes from secondary sources. I do have personal familiarity with the Catholic Church, having grown up Catholic. I attended Catholic elementary and high schools, am the brother of a Catholic priest, pay close attention to the ongoing conflicts over Church governance, and continue to practice my faith. Over the past seven years, I have become a voracious reader of Church history, diving deeply into the controversies over potential and realized organizational changes related to authority in the Church. I have read primary Church documents, including large sections of canon law and documents from the two Vatican Councils, and have interviewed canon lawyers and priests. To learn about the General Motors Corporation, I have also done extensive reading, immersing myself in its history. I cannot, however, claim any personal connection to this industrial giant. I became fascinated by GM's trajectory and by the personalities involved, and read accounts of the carmaker's inner workings from a variety of perspectives. I listened to firsthand accounts from a retired executive and examined data on its governing boards.

The original idea for this book came from observing Canada's and India's relatively successful decentralization efforts during the past few decades. When I say "successful," I do not mean these countries are thriving; rather, subunits within each country have gained real authority over their internal affairs relative

to the central governments. I learned about these countries' decentralization schemes when University of California (UC) Berkeley Professor Pradeep Chhibber and I were in the process of writing the book, *The Formation of National Party Systems*, on political parties and elections.[1] Numerous authors writing about federalism – and about governance in general – have asserted that the predominant tendency for large countries, large organizations, and international institutions is toward centralization of power.[2] Even casual observers of the U.S. federation, the German, Australian, and Latin American federations, the European Union, universities, large corporations, and nonprofit organizations often draw the same conclusion. There is a tendency for government and bureaucracy, as well as management, to grow in size and influence. True decentralization is hard to achieve, and the deck is stacked toward centralization. How, I wondered, could Canada and India escape the centralization trap?

Canada's and India's experiences with federalism were different than those in the United States. Perhaps decentralization in Canada and India is owing to the fact that each is a parliamentary democracy where executives are responsible to their respective parliaments. The parliaments, of course, are populated with representatives from local geographic areas. The parliaments themselves, through their elected governments, could decide to decentralize governance and return authority back to the provinces (Canada) and states (India). A representative body filled with people who might be interested in checking central power could collectively decide whether to centralize or decentralize authority. The check on central power, therefore, is a built-in function of the representative institutions.

This led me to explore the idea that the nature of governance in the central unit could be important in determining the success or failure of decentralization efforts. Locked-in centralization, perhaps, could be the predominant tendency when the central authority has a "separation of powers" character to it. It may be relevant that executive and legislative powers in Canada and India are fused together, and that decentralization is much harder to achieve when the central authority has a powerful presidency authorized to act independently of a parliament. In such a case, the president is an agent of centralization largely unchecked by subunits, or at least checked less frequently because subunits are not directly represented in the executive body. In political terms, we might draw a distinction between separation-of-powers regimes and parliamentary regimes.

I was also drawn to pay attention to the manner in which political parties in Canada and India represent geographic subunits. In both the Canadian and

[1] Chhibber and Kollman (2004).

[2] For discussions on this topic, see Riker (1964), Bryce (1888), Etzioni (1965), Elazar (1972), Grodzins (1961), Mattli (1999), Shapiro (1995), Stepan (1999), Ziblatt (2006), Rector (2009), Bednar (2008), Higgs (1987 2004, and 2007), Wheare (1964), and Stepan (1999 and 2001). Tilly (1990) argues in a similar fashion to my arguments in this book.

Indian parliaments, regional political parties play important roles in the crafting of national governing coalitions – either as foils or as component parts – and this feature is distinctive from more nationalized party systems. As I argue throughout this book, partisan groupings affect the fluidity of centralization in the way their identities intersect with organizational hierarchies.

The notion that the structure of governance within the central unit is important in facilitating or hampering decentralization efforts may also be applied to institutions other than nation-states. We call it separation of powers in political terms, but it is not clear what to call it in organizational terms once we step out of the realm of politics and government. There is no similar encompassing term, although people occasionally mention the rise of managerial governance in organizations (professional managers) as a cause of centralization.[3] Thus, there may be parallels between the rise of professional managers causing centralization in organizations and the role of presidential systems causing centralization in political systems.

From a variety of disciplinary perspectives, the vantage points shift when analyzing the governance of organizations and corporations. The organizational theory literature from decades ago was helpful, but there has been little written in recent years on the causes of centralization.[4] Quite a few sociologists have written on corporate governance and strike similar themes.[5] I was surprised, however, by the lack of research in any related discipline (including political science) that compares experiences of different kinds of cases and draws general conclusions across a landscape that includes governments *and* organizations.[6] It is undoubtedly true that the typical organization is fundamentally different in many ways from the typical democratic nation-state government. For one thing, democracy or some form of popular consent may not be the core concept underlying an organization. Therefore, comparison between organizations and governments may not always be useful. Nevertheless, I pursued these comparisons because organizational leaders devote a lot of attention to governance issues, which indicates that they care about collective decision-making processes. Perhaps I could learn from studying the experiences of prominent, important organizations and similarly, perhaps organizational leaders could learn from a political scientist studying federated institutions.

[3] Mizruchi (1983), Bachrach and Lawler (1980).

[4] For exceptions, see Hannaway (1993), Panizza (1999), and Mileti, Timmer, and Gillespie (1982). See also Stiglitz and Sah (1991).

[5] See, for example, Mizruchi (1983); Becht, Bolton, and Roell (2002); and Colley et al. (2003). See also Admati, Pfleiderer, and Zechner (1994).

[6] Exceptions include the well-known work of Hirschman (1970), March and Simon (1993), and Simon (1960). See also Mahony and Thelen (2010), and Pierson (2004). A large literature in sociology considers institutions and organizations in general; see March and Simon (1993), Meyer and Rowen (1977), Mohr (1982), and Wilde (2007, 143, fn. 9). Rarely, however, are cases considered together across different genres of institutions. There is also the social choice literature on committee decision making and collective decision making in general that of course can apply to any human institution (see Austen-Smith and Banks 1999 and 2005 for an overview).

With this in mind, I began reading the histories of federated institutions across many domains (the International Red Cross and the Native-American federations, for example) and read bylaws, canon law, treaties, and constitutions. I studied the lists of who sat on which boards of such organizations. In the end, I focused this book on the biggest and most important examples because they afforded me the luxury of extensive secondary literature and a familiarity among readers, which enabled me to compare as well as describe. The literature on the Catholic Church is vast, and the centralization of power to the papacy is a major theme of its historical accounts. Many of the same themes from the study of political federations emerged from these Church histories. The literature on the EU is similarly large and is aided by the sensitivity of its scholars to questions of where authority lies and how it moves over time. The literature on GM is not as large, but it is helped by Robert Freeland's wonderful book, *Struggle for Control of the Modern Corporation*, and a number of other insightful publications.[7] I immediately saw connections between the experience of GM and these other cases.

My research revealed similarities in patterns of centralization across disparate kinds of institutions, and similarities in the battles that took place over governance. These battles pitted central authorities against subunit authorities, as well as executives against representational bodies within the central units. It became clear that these conflicts were intertwined. I took it as a challenge to discern the significance of the confluence of these struggles.

It is possible that someday soon I will return to the questions of more direct relevance to my home discipline of political science, namely the difference between parliamentary democracies and presidential democracies in their experiences with centralization and decentralization. For the moment, however, I feel the need to work through the most general issues of governance that affect organizations as well as nation-states. Thus, this book attempts to makes sense of a rather abstract set of problems using concrete historical examples: how vertical (between the central unit and subunits) and horizontal (between executives and representative bodies) battles for power relate to each other and how the outcomes of these battles matter for the nature of governing authority.

There are a variety of challenges that come with making claims about the historical trajectories of such massive organizations. For each case, there are experts who will either find the historical material provided here not necessary because they know it already or not enough to do justice to the topic. Church historians may find my treatment especially thin, or perhaps worse, not thin enough (some may conclude that much of the information on Church history is obvious). Or, there are social scientists who will wonder why they need to

[7] See Chapter 5 of this book for various citations on General Motors. Freeland's (2001) book was influential in my decision to include GM as a case because he captured aspects of GM that resonated with the other three cases and seemed to offer both a parallel and a useful point of comparison.

learn this detail to understand my main points. Like most authors, I struggled with how much detail to provide in this book. My struggles were compounded by an awareness that my readers will have varying degrees of knowledge about the four cases explored here.

This work is not intended as a pure history of these cases. In writing it, I trod the middle ground, seeking to avoid unnecessary details that merely filled in chronologies. Instead, I have included details from particular historical moments to demonstrate the mechanisms at work. Readers will have to look elsewhere for complete historical accounts. I sought to remain focused on the key moments of change in each case. My target reader is someone who is familiar with the basic histories of these cases, but who does not take offense at being reminded of the overall outlines, and a reader who might be intrigued by my inclusion of idiosyncratic details. I assumed the reader would have less knowledge about GM or the Catholic Church, simply because we tend not to learn about these cases as a matter of routine in our educational systems or in popular books, newspapers, and magazines. I imagined this target reader to be like me, a person who finds value in comparison across disparate cases and who is fascinated by historical trajectory. I assumed that he or she would be driven by the search for generalities and more abstract causal connections, and who believes that there are underlying patterns in social systems that can be discovered by deep learning of multiple specific contexts and careful application of social science concepts.

A note about the portions on the Church. The reader will detect that I am cynical of centralization to papal power within the Catholic Church. As mentioned, I am a practicing Catholic, with all that it implies about my religious beliefs. Moreover, beyond theological matters, contrary to the prevailing sentiment in academic circles and the centers of culture in Europe and North America, and in spite of devastating failures by Church authorities in recent years in not preventing child sexual abuse, I believe strongly in the reality of and potential for the Church being, on balance, a positive force in the world.

For Catholics who follow internal Church politics, it will not come as a surprise to learn of a practicing Catholic – especially an American Catholic – who is concerned about assertions of papal authority that have occurred during the past 140 years. For those who know little about the Catholic faith or about the organization of the Catholic Church, it may be surprising to learn of the skepticism that I have, and many other Catholics have, of papal authority. So, to set the record straight: I am comfortable with the notion that in the modern world the pope is the leader of the worldwide Church, and that he has executive authority. I am far less comfortable, however, with the notion that the pope alone is the final authority on theological matters, and can declare some of his statements as infallible. The pope is a human being who benefits, first, from deliberation and advice from others in a formal setting such as Church Councils and second, from formal, collectivized checks on his authority. Humans inevitably make mistakes and can make bad decisions. Reading a history of the

papacy only underscores how popes can err systematically and govern in a manner that increases human suffering and sets the Church back from its professed mission. More than a few popes in past centuries have appalling records that match those of the cruelest of European monarchs. Recent decisions by popes, often contrary to the advice of fellow bishops and theologians, on birth control, the use of condoms to fight the AIDS epidemic, and the ordination of women, in my view, all confirm the human fallibility of the person in that position. Monarchy, albeit one that is not hereditary, but is elected for life, is the wrong governance model for a federated, global organization. A better system would have the pope answerable and reliant on approval from representatives in a collective body. Even more importantly, the Church should govern under a better model of federalism with representation by subunits in central decision making, where the representatives are not chosen by the pope but by some other process that resembles the early Church – that is, with input by local Church members.[8]

Let me now describe the basic story line for a hypothetical organization. Consider an organization with subunits and a central unit (headquarters). Within the central unit there is at least one collective body of people representing the subunits and perhaps other interests such as investors or a board of directors in a corporation. There is also an executive in the central unit.

The subunits, in principle, could be quite self-sufficient in the sense that they can do the basic work of the organization by themselves within their domain. If this organization were a business corporation, then each subunit is a company that can make and market its own products, has its own customer base and a set of suppliers. If the organization were a hospital group, then each subunit is a hospital that in theory could deliver health care on its own. If the organization were a union federation, then each subunit is a local union.

Together, the executive and representative bodies govern the entire organization. This can mean different things. Perhaps they co-govern in some fashion, such as both having to approve new policies or perhaps the representative body acts as an executive committee, an advisory committee, or a congress of sorts. The most important fact about the central unit in this organization from our point of view is that the executive position derives its authority not directly from the representative body within the subunit, but from some other source such as from a board of directors, shareholders, or voting members of the subunits. In other words, the executive does not answer directly to the representative body, but to some other source of authority.

This should sound familiar because it is a widely used institutional structure for governance both in organizations and governments. It serves as a loose description of the U.S. government, for instance, and also for many corporations, trade associations, lobbying groups, churches, unions, nonprofit organizations, and political parties. In short, this describes a federated separation-of-powers

[8] For a full-blown description of a more democratic model for the Church, see Swindler (1996).

system. It is federated, according to one definition of the term, because the subunits form the basis of the organization and could be self-sufficient if necessary. The subunits are bound together into one system for a variety of reasons, including economies of scale and efficiency, as well as protection. It can also be defined as a separation-of-powers system because the executive is not directly accountable solely to the representative body.

The first argument of this book contends that in such systems, the overwhelmingly dominant trajectory is toward centralization of power, not only toward the central unit, but also toward the executive. Thus, federated separation-of-powers systems trend toward executive centralization.

This argument may not seem new. After all, one can reflect on the history of well-known examples and intuitively believe it to be true. Consider trends in U.S. history, for example. Surely the U.S. government has centralized over time, and more specifically, the presidency has strengthened relative to Congress.[9] Or, one could also point to patterns in other organizations as examples. This pattern may aptly describe evolution in higher education administration. Furthermore, those of us steeped in modern social science will find in this argument an underlying notion that, when given the opportunity, ambitious people will seek to increase their power. Executives in a federated separation-of-powers system will seek more power and autonomy from subunits and subunit representatives. For political scientists, we recognize James Madison's *Federalist 10* and *Federalist 51*, and Michels's iron law of oligarchy.[10]

The second set of arguments of this book, however, relate to the processes of centralization. The overall trend in my cases is similar, and that is toward centralized executive authority. When we probe *how* such centralization occurs, we discover that the processes described are also similar and that they occur in a variety of diverse realms. They show up, I will argue in this book, in governments (the United States), corporations (General Motors), churches (the Roman Catholic Church), and international political unions (the European Union).

The mechanisms can be summarized by five processes that often happen in rough chronological order: assent, representative centralization, partisanship,

[9] See, for example, Scheiber (1980).

[10] Madison, Hamilton, and Jay [1787–88] (2003), Michels [1911] 1962. Madison and Hamilton in the Federalist Papers wrote about the importance of having certain kinds of political institutions constraining the behavior of ambitious, greedy people. Their outlook was mostly optimistic, believing that the right kind of institutions could channel that ambition and greed leading to a stable, productive republic. But underlying their arguments was the idea that individuals in positions of authority, left without checks on their power, will seek to aggrandize that authority and abuse it. Michels has the same underlying assumption, but his outlook is pessimistic. He wrote about social democratic parties in Europe and how, even though their philosophies promoted egalitarianism, voice for the masses, and democracy, their leaders ultimately behaved in autocratic, undemocratic ways. It was a natural process of steady power grabs by the leaders of these parties, and the result was a recognizable contradiction: social democratic parties publicly criticizing unequal power in society, but those parties having inside their organizations vastly unequal power concentrated among a few people.

executive centralization, and lock-in. I will define these terms more precisely in Chapter 2. For now, I offer the following, brief overview to provide a taste of the fundamental arguments.

Subunits *assent* to representative centralization with the idea that they will continue to have a voice in decisions over whether to centralize or decentralize policies, and if a policy is centralized, what the policy should be. *Representative centralization*, referring to the process of centralizing authority to the central representative body, brings about increasing partisanship within the organization with partisanship referring to policy conflicts at the central level. *Partisanship* in this context does not refer to political party attachment, but rather to the concept that people at different levels link their fates to the success of movements at the central level in favor of specific kinds of policies.

Inevitably problems or crises arise that are common to all or most subunits, leading to calls for strong leadership at the central level. In order to deal with a given crisis, the executive makes the case that it needs resources, bureaucratic capacity, and statutory authority to make unilateral decisions in some policy areas. The executive typically asserts authority to make unilateral decisions with explicit approval of a substantial portion of the subunits or their representatives, although this approval may be designated for a temporary period. Under *executive centralization*, however, the executive's resources and authority, although approved initially by subunits and their representatives, outlive the period of crisis. The results of the buildup of executive resources, therefore, live on.

The crucial switch leading to *lock-in* occurs in the nature of partisanship. During the period of executive-led centralization in the midst of crisis, partisanship changes from being oriented toward the actions within representative bodies at the central level to being oriented toward the success or failure of specific executives and their policies. Executive centralization becomes locked-in, or solidified, when partisanship spans the organization from the subunit level, through the representative institutions at the central level, and then to the executive at the central level. Thereafter, the fate of people within the subunits and within the non-executive parts of the center becomes linked to the success or failure of executive policies. Often, subunit leaders and representatives internalize the policy goals of the executive, which means that they come to want what the executive wants, or what their candidate or prospect for the executive wants. However, if for whatever reason they do not internalize the executive's policy goals, the executive can use its resources to reward people at all levels for cooperating with its policy programs and punish those who do not cooperate. The executive can quickly end any serious attempts to decentralize authority back to the subunits.[11]

[11] The arguments in this book about thresholds and lock-in (discussed more fully in Chapter 2) bear resemblance to insights gained from Schelling (1978) and more deeply analyzed in Lamberson and Page (2012) regarding tipping points.

For our hypothetical organization, we can compare the before and after. Before the process enters the latter stages, the subunits are largely autonomous, and the center is relatively weak. The executive only has resources that are approved regularly by subunit representatives. Any centralization is assented to by the subunits or their representatives (assent could mean a legitimate process that involves the subunits collectively), as well as any policies chosen under the centralization.

After the final process of executive centralization, not only is the organization highly centralized, it is also highly centralized to the executive. The executive within the central unit has considerable autonomy to make unilateral decisions without the approval of the subunits or subunit representatives. The executive continues to amass resources and autonomy, which feed on each other. The executive can use the resources to divide and conquer coalitions that threaten to remove the executive's autonomy or return authority back to the subunits.

I have proposed an argument about centralization – specifically, executive centralization – that on the surface seems straightforward, at least in terms of the overall trajectory of organizations and governments. However, as I become more specific in Chapter 2 and subsequent chapters about the process of centralization, the arguments become more complex. In the abstract, the key to centralization becoming locked-in is a process of change in the way people come to see their interests as linked to different parts of governing institutions. Leaders succeed in building the lasting power of their office by institutionalizing the linked fate of their own policy programs to the ambitions and goals of subunit leaders and those representing subunit interests. This, I will argue, is what presidents in the twentieth century did in the United States, what popes have done through the centuries, heads of General Motors have achieved over the years, and what the executive of the European Union was poised to do before being held back, thereby casting uncertainty over the future.

Let me be clear about what I am not arguing with regard to executive centralization. The argument is not that executives necessarily become all powerful within their systems, or that they always end up dominating the representative bodies and subunits in an imperious way. In certain cases this is true, but not always. The pope has assumed final executive, legislative, and judicial power within the Church. The president of the United States, however, is relatively weak within his own system compared to presidents in other countries; he still needs help and cooperation from other units to govern. Instead, the argument here is that the critical changes in these systems locking in executive centralization were the relative strengthening of executive authority compared to its previous levels combined with the resulting development of partisanship linked to executive performance.

In Chapter 2, we move to a more detailed examination of these ideas, and later chapters will probe our four specific cases to provide telling examples. When we examine the cases, we shall see that the precise form of executive